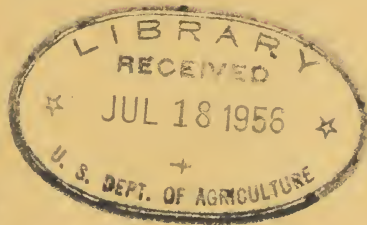


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FIELD MANUAL
for
REPRESENTATIVES
of the
MANAGEMENT DIVISION

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

June 1, 1948

TO MANAGERS AND DIRECTORS OF REA BORROWERS:

In response to many requests from managers and directors, this manual in its original form is being made available to them on request. With it in your hands, we believe that our fieldmen and the borrowers will have a better understanding of what each can do to help locate and correct the management problems that are their mutual concern. That the manual is in the form of instructions, addressed directly to our field personnel, is a matter that can be disregarded by the borrowers in their consideration of its general contents. The manual has but one purpose--to help borrowers maintain efficient management on their systems.

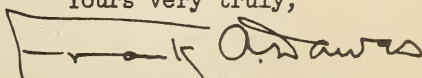
In preparing it, staff members of the Management Division and REA specialists have reduced to writing what they considered to be the significant components of management as it applies to REA borrowers. Within this framework, REA's job of assisting borrowers with their management problems is outlined. While every possible situation that may be encountered on a particular system is not spelled out, the basic outline is broad enough for all functions to fall into place when a careful study is made.

We recognize that the major responsibility for successful management of your systems rests upon you, and that our part in the program is to help you when help is needed. We know how conscientiously you have accepted this responsibility, and how sincerely you strive to live up to it. But we also know that management of a rural electric system is a complicated job that can be affected by many factors that are not always easy to identify, even though you have an intimate knowledge of your systems and their problems.

The manual is designed to spread out the management job so that all details can be examined and evaluated when this becomes necessary. With it as a guide, your familiarity with your systems and the broad general knowledge that our fieldmen bring to your aid should combine to simplify your joint efforts to locate below-par functions and put them in line for correction.

The manual has been in use for about nine months. We know it is not perfect and changes may be indicated from time to time. Its primary purpose is to help you. We hope that you will use it freely and submit any comments or suggestions that may be helpful in making it a better tool for all of us to use in helping us to provide America's farmers with the maximum benefits from electricity on a sound, self-liquidating basis.

Yours very truly,



Frank A. Dawes, Chief
Management Division

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

MANAGEMENT DIVISION

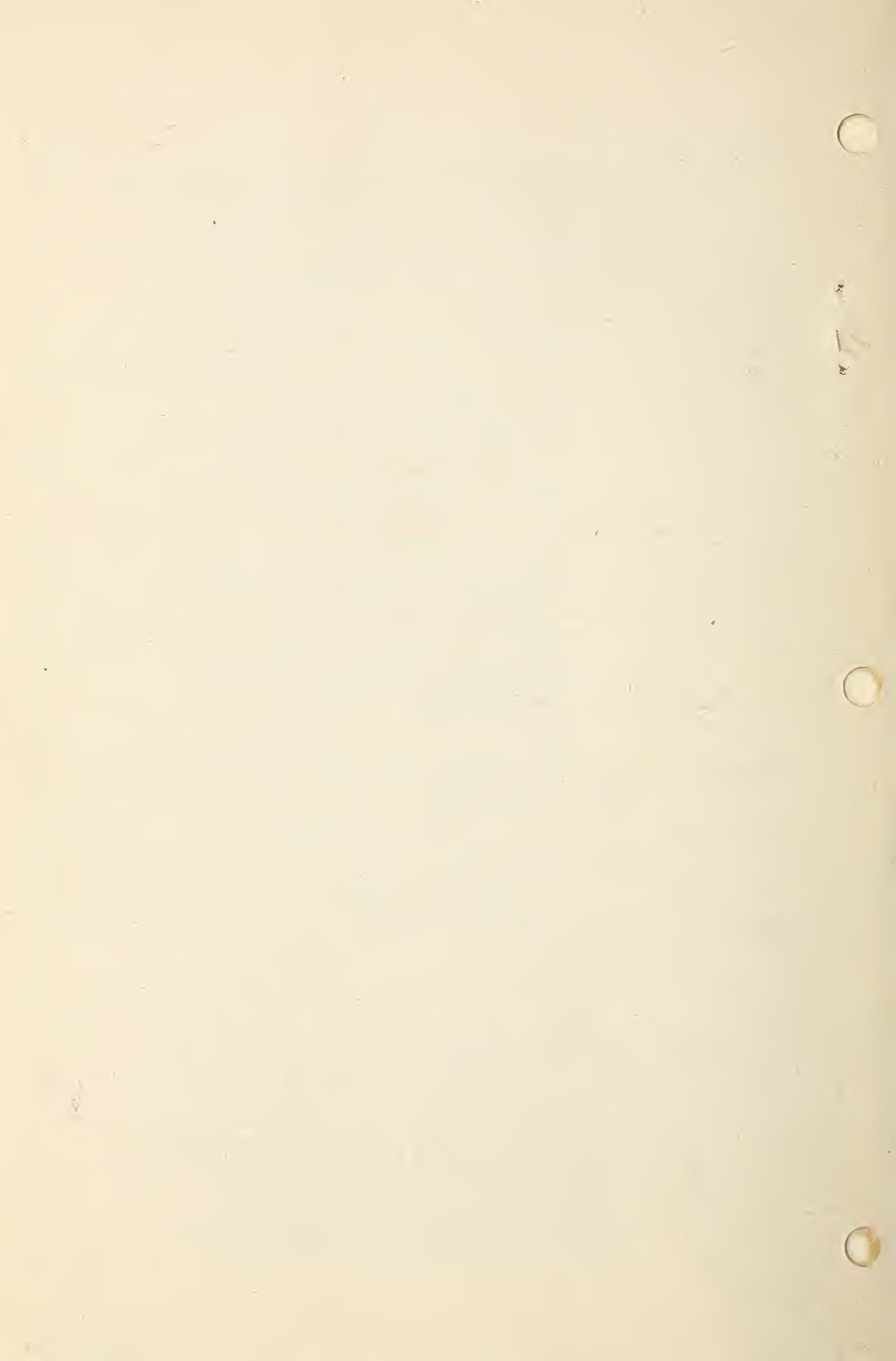
FIELD MANUAL

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PREFACE

The Rural Electrification Administration was established by the Congress as an agency to execute a program of rural electrification primarily by the lending of public funds to eligible borrowers for furnishing central station electric service to persons in rural areas. Every REA employee is concerned with the job to be done--The Electrification of Rural America--and it is his responsibility to carefully appraise his every action in relation to its value and possible assistance in getting kilowatts to farm people. The purpose of this manual is to guide and direct representatives of the Management Division in their efforts to help REA borrowers get the rural electrification job done on a sound basis.

This manual is concerned primarily with the management activities of rural electric cooperatives, which constitute the principal type of REA borrower. It is designed to assist the field man in applying his knowledge of cooperative principles and good business practices to obtain the best possible results in improved cooperative management. With its help, he should be able to advise cooperative officials and managers about good management practices that have proven to be sound and workable within the framework of cooperative operations, and to help in promoting active and intelligent member participation in the democratic control of their cooperative enterprises. However, the manual's effectiveness is not limited to cooperative operations alone. With minor changes, many parts of it are applicable to other types of REA borrowers as well. The field representative need only exercise good judgment in adapting those parts of it that apply to the problems of any borrower.

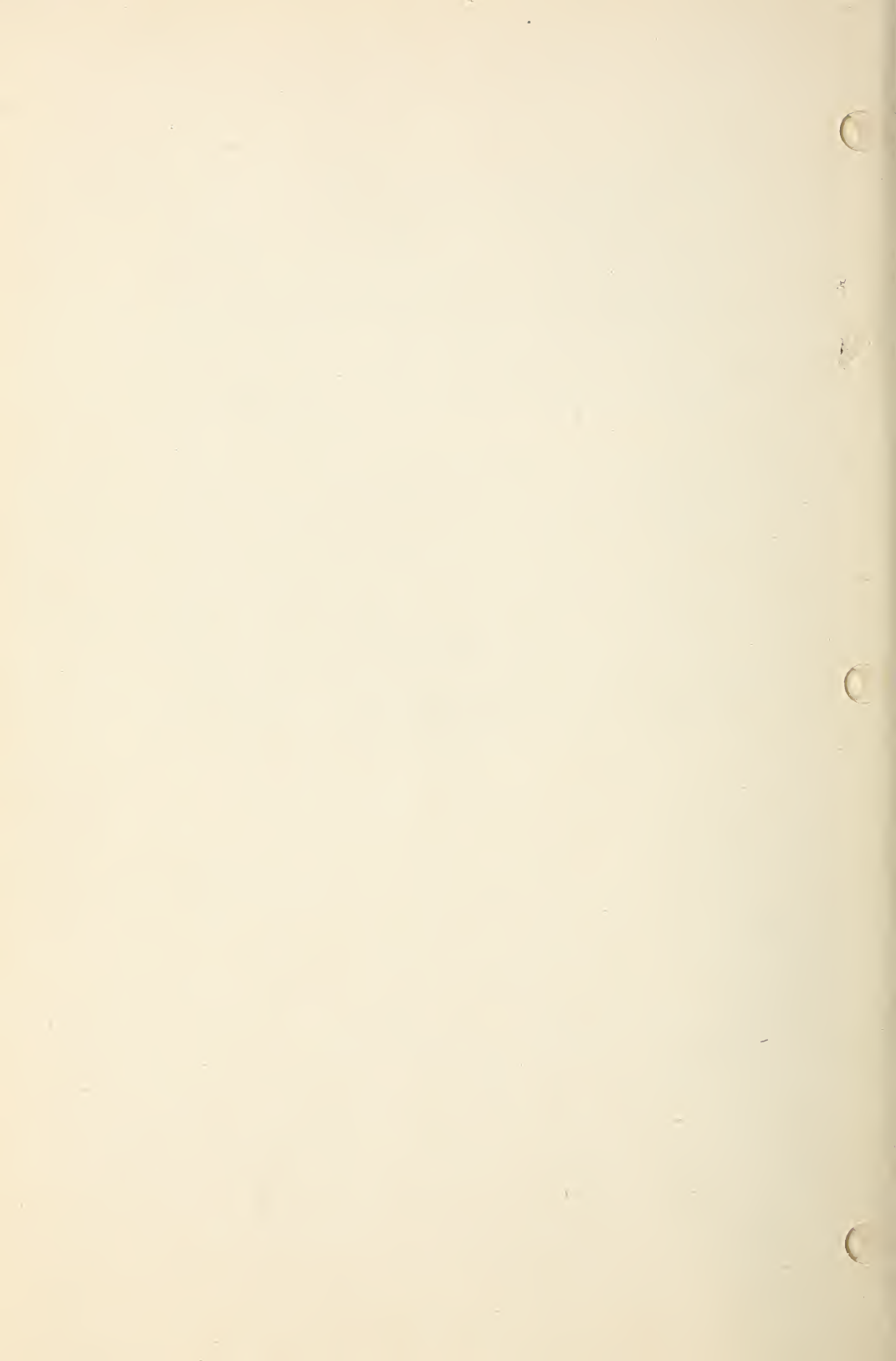
As the manual was designed as a practical tool for your general use in a continuing program of assistance to the borrowers, it covers most problems that commonly arise in their day-to-day management. This broad coverage makes it possible for you to cope with almost any situation that may confront you, but practically all of your assignments will be limited in scope and you will need to use only those parts of the manual that are applicable to the particular job you have on hand. It has been carefully indexed to assist you in locating the part or parts that you may need.

With the exception of Section III, the contents of the manual are for your guidance and help in furthering your general work with the cooperatives in accordance with information and instructions contained in the text. Section III deals with an appraisal guide for borrowers which you are not to use in your contacts with any borrower unless you have received specific instructions from your Regional Head to do so for particular reasons and definite purposes. When you are directed by him to make an appraisal of a specified cooperative, you will proceed to do so in accordance with the instructions contained in Section III, making either a limited or a complete analysis as your Regional Head may instruct.

All REA fieldmen have a primary responsibility for certain activities. Incidental to the performance of these activities, problems may arise affecting the functions of other divisions. If REA has issued specific written instructions on the subject, the fieldman may point to those written instructions as a guide in solving the problem. If, on the other hand, written instructions have not been issued and the problem is one requiring interpretation of another division's functions with which he is not familiar, the fieldman should confine his advice and assistance to those problems concerned with his primary responsibilities only, and should report all other problems discussed to his superior for transmittal to the REA division concerned.

SECTION I

INTRODUCTION



MANAGEMENT DIVISION

FIELD MANUAL

A. HISTORICAL BACKGROUND, OBJECTIVES AND ACTIVITIES OF RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration was established by Executive Order May 11, 1935. The following year the Congress reestablished the rural electrification program on a more permanent basis by the Rural Electrification Act of 1936, which provided for the "Rural Electrification Administration," "all the powers of which shall be executed by an Administrator," "who was authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service." These loans could be made "to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples utility districts, and cooperative, nonprofit or limited dividend associations organized under the laws of State or Territory of the United States," with the provision that preference be given to States, Territories, the subdivisions and agencies thereof, municipalities, public utility districts, and cooperative, nonprofit, or limited dividend associations. Under the circumstances that have prevailed since the passing of the Act, loans had been made as of January 1948 to 1,029 borrowers, of whom 947 were classified as cooperatives, 41 as public power districts, 20 as other public bodies, and 21 commercial power companies. The 947 cooperatives are on the whole nonprofit corporations organized under State laws by local groups of farm people desirous of securing the benefits of central station electric service. Loans are usually for the full amount necessary to construct a system and get it into operation, and the security is a mortgage on the properties and other assets of the borrower.

From the above general statement emerge several facts that have determined the nature of the activities and relationships of REA:

- (1) REA is primarily a lending agency to make Government credit available in promotion of rural electrification;
- (2) a cooperative is an independent corporation, owning and operating its own system;
- (3) a loan usually is for the full value of the facilities constituting the security, and therefore successful operation becomes the primary basis for security of the loan.

It is apparent from these facts that of necessity REA activities fall into two major groups:

- (1) Those corresponding to the activities of banking and investment firms--receiving applications for loans, examining them for feasibility, and making them; and
- (2) those corresponding to firms giving professional guidance and assistance in management, in order to establish reasonable assurance of security for the loan.

B. REA RELATIONS WITH COOPERATIVES

The bulk of problems arising out of relations with cooperatives are concerned with giving professional guidance and assistance in management. On the one hand, a cooperative is an independent corporation, owning and managing its business, and it is normal human nature to value this status highly. On the other hand, successful management is a serious concern of REA, for in successful management lies the real security for the loan. Many of the problems of operation and management are of a technical nature. There is opportunity and need for professional guidance and assistance, but it must be made available in situations of independent ownership and pride in independent ownership. The legal documents of course give REA a certain formal authority and power, but this is of such a nature that it should be called on only because of extreme circumstances. REA's real influence, expressed in week-to-week and month-to-month contacts, lies in a broad technical experience which should be made manifest in helpful services. It is the influence that must be sold by good works,--not imposed; the influence that is possessed because its exercise is solicited and appreciated.

In the period of construction and immediately following energization of the system, guidance and assistance must of necessity be concerned with many details of management, for the new owners and managers are generally not familiar with electric distribution problems. Then follows a period, after the new owners and managers have acquired basic experience, when guidance and assistance should concern itself less with detailed problems and more with setting a pattern of management by the directors and manager that points toward financial stability. Eventually the time is reached when guidance and assistance should be concerned primarily with "exceptional problems" accompanying maturity, such as changes in economy and loading of system lines, extensions of the systems, catastrophes, and so on. In each of those periods of growth, contacts may be less frequent than in the preceding period, and the time saved may be focused on new systems and older systems experiencing exceptional difficulties. The best index of operating and

financial stability will generally be found in cumulative financial and operating data presented in successive annual balance sheets and income statements.

Since the permanent success of cooperative borrowers will depend upon their functioning as cooperatives, guidance and assistance in the development of democratic cooperative control should follow much the same course. From the beginning, when both the board and the manager are frequently unfamiliar with cooperative management, they should be impressed with the importance of their responsibilities to promote the growth of their business enterprise in a manner that will encourage active democratic control by the members and stimulate healthy and vigorous cooperative functioning. The extent to which cooperative functioning is being carried out will be reflected in the attitude of the members toward the cooperative as evidenced by their participation in its affairs and by the attitude of the cooperative personnel toward the members.

C-1. STATEMENT OF FUNCTIONS OF THE MANAGEMENT DIVISION

The functions of the Division have been summarized as follows: Within the scope of REA programs, policies, procedures and standards is responsible for conduct of all REA activities pertaining to advice and assistance in the general management of rural electric distribution cooperatives and locker plant cooperatives. Renders advice and assistance on business management, operating and financial performance, maintenance of proper organization, personnel, rates, labor relations, insurance, taxes, purchasing and maintenance of auxiliary equipment, transfer of property, work procedures, office management and other business management matters. Is responsible for review and approval of wholesale and retail rates, rate contracts, insurance and fidelity bond coverage, purchase of auxiliary equipment and transfer of property.

C-2. THE MANAGEMENT DIVISION FIELD REPRESENTATIVE

As a representative of this division, the prime purpose of your being in the field is to provide advice and assistance to boards of directors, managers and other cooperatives' personnel in helping them solve the more complex problems involved in the business management of their electrical distribution cooperatives on which they have not yet acquired experience to handle. In a real sense you also serve as a representative of the Administrator. Accurate observations of the REA cooperatives' activities are necessary so that your Regional Head may be informed of their particular success, problems and trend of

operations, and be in a position to keep the Chief of the Division up to date on the results of these overall operations.

With information at hand from all regions, the Chief of the Division is able to chart an overall program of the Division's activities and determine specific items within the groups of management services that need particular emphasis from a standpoint of what you are able to do for the borrowers.

At this point it is essential to point out that your conduct as a field representative should always be motivated by a desire to be helpful and you should not under any conditions attempt to direct a board of directors or a manager in the conduct of their affairs. Wherever possible, you will assist with view in mind of making the management of any cooperative more capable and competent to manage its affairs.

As a representative of the Management Division, you should think of yourself as having a group of services within your reach that will assist the cooperatives to operate more effectively. Your work takes you among the cooperatives within an assigned area and you are afforded the opportunity to observe how a particular cooperative is more successful than others in accomplishing certain objectives. So the very nature of your daily duties puts you in a position to collect valuable information and pass on excellent ideas to different cooperatives as the need arises. Therefore, it is desirable for you to refer cooperatives to others that have developed new and successful ideas. Not only will your reference assist to support your statements, but the manager or board officers can then make a personal call to those cooperatives referred to and investigate for themselves the results achieved.

It is desirable that you should build up a list of managers and board members that are especially cooperative and are willing to share their experiences to help other cooperatives. Knowing some of these references would be of invaluable aid to a new cooperative that may stumble in many places unless given benefit of the experiences of older cooperatives.

As a management representative, it is imperative that you acquaint yourself as thoroughly as possible with all the specialist services in REA that are available to the cooperatives. This will include being on the alert for instances where you can help expedite requests from cooperatives to REA for either information or assistance.

Your approach to boards of directors, officers and managers should be friendly, sincere and that of wanting to help, and to display a genuine interest in knowing what specific problems are in the minds of the cooperative's personnel.

It is desirable to point out here that too much stress cannot be put on the impression gained and created by your arrival at a cooperative's office. At that time, you are going to have a distinct impression as to the apparent effectiveness of the particular office and you will immediately form some definite opinions. You must remember that your approach will be observed by the office personnel and manager and they will form some opinions regarding you, which will have a definite effect upon your visit and subsequent report. You should guard against:

1. Familiarity.
2. Discussions with personnel prior to seeing manager.
3. Distractions - personnel or manager.
4. Disrupting office routine.

On entering the cooperative's office where the personnel is well known, you should be careful and avoid undue familiarity. Your first obligation is to acknowledge the greetings of the personnel you know and then ask to see the manager. If he is in, proceed at once to his office. In case the manager is not in the office, try to find out where he is and when he is expected to return. It may be possible that you can contact him somewhere on the line in order to explain the reason for your visit. Be as brief and to the point as possible, emphasizing that your visit is not for the purpose of checking up or investigating him or the system, but rather to assist him with his problems or to accomplish whatever your assignment may be.

Remember that the manager has a volume of work to do and his respect for you will not be enhanced if you take up time in an irrelevant conversation. Your discussion with the manager at first should be general, but related to the business of the organization. The assignment may cover corrective measures for improving the handling of work crews, preparation of work orders, maintenance of plant and other important operations. This may be embarrassing to the manager if his management has been below standard and at this time you should be very emphatic in stating that you are there to assist him and his staff in improving the effectiveness of these operations. You must remember at all times that you will be accorded the respect you deserve. If you are prone to tell stories, disrupting the cooperative's routine by conversing with the office personnel in general, and distracting every one from their duties, it is not hard to figure out that the manager will resent this.

In view of these statements, you should make your examination as thorough and your stay as short as possible with the minimum of

disruptions to the staff, and give all possible assistance during the course of your visit. Discussions of problems with a manager should never be held in any public place, nor should discussions derogatory to a manager, or system, be held either on the system with any of the personnel or at another system with its manager or personnel. These discussions should be held in the privacy of the manager's individual office and pertain only to the problems which have arisen at his particular system.

Your status as fieldman is often times obscure in the minds of the boards of directors. You may very well point out the functions of the four line divisions in REA and how the Management Division has been established to advise and assist the cooperative with its own management problems. Explain to boards of directors and managers what each division has to offer in the way of services so that they know where to turn when difficulties arise. Remember that it is more helpful to know the right place to get information than it is to fumble for an answer merely for the purpose of giving the impression that one is well informed on all subjects.

When faced with a question that you cannot answer, or about which you are uncertain, frankly admit that you do not know. Advise the questioner where he can obtain the correct answer if you know where to direct him, or offer to submit the question to the proper authority for attention.

The duties that you should be able to perform are varied. This listing cannot be considered complete, but the more important ones are emphasized.

In your relations with the board of directors, you should be able to:

1. Conduct an interesting discussion when called upon to present certain aspects of the REA program.
2. Help board members fully understand the contents and evaluate properly the report that the manager presents monthly on the cooperative's activities.
3. Help the board members and officers understand their responsibilities and duties including when and how to delegate responsibility and authority to the manager.
4. Give at an annual meeting, if called on by the board president, an effective speech that will be of interest to the cooperative membership. The subject matter will

vary from time to time and your Regional Head will be able to give specific guidance on this subject when the time arises. However, the point of emphasis here is that you should be prepared to make an interesting presentation before the members when called on.

In your relations with the manager, you should be prepared to perform duties such as:

1. Outline an effective procedure and methods to follow in selecting competent personnel employed by the cooperative.
2. Outline requirements and need for training these personnel for job performance.
3. Point out methods to evaluate job-performance of personnel.
4. Outline methods to evaluate proper wage scales for area in which cooperative is operating.
5. Analyze financial aspects of cooperative's operations and point out use of such an analysis for indicating weaknesses in performance.
6. Describe the preparation and effective use of an operating budget.
7. Develop methods to employ for determining adequacy of service being rendered by the cooperative as to:
 - a. Promptness in restoration of service
 - b. Dependability of service
 - c. Promptness in making new service connections
8. Determine adequacy of office and operating staff to do the job.
9. Determine whether methods of evaluating quality of maintenance work and inspection services to evaluate condition of properties have been established and are being followed.
10. Select suitable automotive equipment and proper maintenance schedules.

In reference to these management activities you should constantly bear in mind that when conditions warrant it is your responsibility to call on the specialists of other REA divisions to assist the cooperative with its problems.

At times during your tour of duty, you will very likely be asked for information by newspaper representatives concerning REA and what we are doing. By all means feel free to give such representatives complete information but be sure that it is factual, not opinions or rumors. The information given in Section I-A of the introduction in this manual should be referred to as a guide on the nature of information to be used during these interviews. Your personal opinions on controversial matters should not be given and inquiries of this nature should be referred to the REA Information Services Division at Washington.

D. STATEMENT OF FUNCTIONS OF OTHER THREE LINE DIVISIONS

1. Applications and Loans Division. The functions of this division have been summarized as follows: within the scope of general REA programs and directives is responsible for development and execution of plans for: advising and assisting sponsors seeking rural electric service to develop valid organizations; advising and assisting sponsors and borrowers in the conduct of unelectrified farms and preallotment surveys for orderly extension of rural electrification and in the preparation of applications for loans for such purposes as may be pursuant to Rural Electrification Act of 1936, as amended; determining self-liquidity of loan applications; certifying and recommending for approval of Administrator applications for all types of loans; consummating loan agreements, recommending extensions of outstanding notes except under Section 12 of Act, as amended; encouraging and stimulating utilization of electric power through advising and assisting borrowers in activities concerned with maximum beneficial use and procurement of electrical appliances and equipment and with development of rural industries; establishing and conducting wiring and plumbing educational programs.

2. Engineering Division. The functions of this division have been summarized as follows: within the scope of REA program, policies, procedures and standards is responsible for the conduct of all REA activities pertaining to engineering advice and assistance to borrowers in the design, construction and engineering phases of operation of borrowers' systems and related facilities, and to general management advice and assistance with respect to central generation and transmission facilities.

3. Finance Division. The functions of this Division have been summarized as follows: within the scope of REA program, policies,

procedures and standards is responsible for records and accounts pertaining to procurement of loan funds and their repayment; for records and accounts pertaining to loans made to borrowers and their repayment; and for assistance to borrowers in respect of their financial records and accounts, involving establishment of a suitable system of accounting, the training and instruction of bookkeepers, the auditing of borrowers' accounts and the preparation of financial reports required by public authorities and by REA.



SECTION II

INSTRUCTIONS TO FIELD REPRESENTATIVES ON MANAGEMENT ADVISORY SERVICES

With A Foreword On The Meaning Of
"Advise and Assist"

FOREWORD

The Meaning of "Advise and Assist"

The words "advise and assist" occur many times in these instructions. They mean what they say: the opposite of "giving orders."

Cooperatives need expert advice and assistance in the management of their businesses: it is a responsibility of REA to give such advice and assistance.

Cooperatives are independent corporations organized under State Laws. They own and manage their businesses. They are proud of this fact, and have a right to be. They naturally resent orders and meddlesome interference; on the other hand, they welcome advice and assistance when given in a proper spirit and manner.

Therefore, the effectiveness of the Management Division will be in direct proportion to the soundness of advice given, which depends on accurate perception and understanding of the facts of the situation; and on the courteous manner in which advice and assistance are offered.

I. COOPERATIVE'S RELATIONSHIPS

1. Relations with Members

General - The success or failure of any business is dependent on the relationship it maintains with its customers and society. Cooperatives occupy a unique position in this respect inasmuch as they exist solely for the benefit of their user-members, who are the owners of the business. Therefore, even greater emphasis must be placed upon friendly service in a cooperative than would otherwise be necessary and the attitude of the management and employees must reflect a genuine cooperative spirit in all of their member contacts. It is important that the employee be neat, courteous, and attentive to duty. The REA field representative should observe how well these standards are being met and should offer advice and assistance when necessary. There are six primary mediums through which cooperatives develop good member relations. The following comments will be helpful to field representatives in advising managers on these problems.

a. Membership and Right-of-Way Solicitation - Primarily these are matters that are handled by the Applications and Loans Division in assisting borrowers with pre-allocation work. However, it is desirable that Management Division field men emphasize their importance to the cooperatives in maintaining good relations with members. The first contact with a prospective member should be very cordial. The purpose of the organization and the benefits to be derived through cooperative efforts should be clearly explained, and a copy of the by-laws should be made available to him. This first contact is of particular significance because it will influence the prospective member in forming his opinion of the cooperative and will have an important bearing on the development of amicable relations between them. You should impress upon the manager and cooperative employees that members are the owners of the cooperative and that they should be encouraged to feel free to ask questions regarding the cooperative's affairs and to take part in them. Since it is necessary to obtain easements from all owners of property on which the cooperative electric lines may be constructed, the easement solicitor should be very courteous and explain the benefits that are to be derived by the members and prospective members from having electric service available. Great care should be exercised in working out to a mutual interest the placing of poles and anchors on the property and the trimming of trees. By the use of tact

and salesmanship, good will between the property owner and the cooperative can be established, which will save the organization considerable money and build an everlasting friendly relation.

b. Offices of Cooperatives - The appearance of the office and the reception accorded people who have occasion to visit it are sure to impress the caller either favorably or otherwise. Such impressions are lasting. A neat, well arranged office, and a prompt, business-like and respectful greeting are important factors in good public or member relations. The receptionist, who may be a cashier or secretary, should be neat, courteous, and attentive to duty. Each consumer should be waited on promptly. If questions are asked that must be answered by someone else, the person should be referred to the proper party. If for some reason the party is busy, or unable to see the caller immediately, the latter should be so advised, and if necessary, an appointment made for a future date. Members in paying their bills across the counter should be made to feel that they are members of the cooperative and not merely customers. Blank checks on various banks in the cooperative area should be readily available for their use, as well as pen and ink. This conveys to the members a business-like office and builds good member relations.

These are some of the points that should be observed and you may readily detect other means of improving the cooperative's office routine which would build better member relations. Advice and assistance should be given to the manager or appropriate employees regarding these activities.

c. Service - Service calls and complaints are received by 'phone and across the counter. A written memorandum should be made in each instance and the employee should be thorough in getting full and correct description as to the nature of the call. This information should be dispatched immediately to the proper party who should handle it promptly, and if there is personal contact with the person it should be courteous and business-like. Even though the complaint may be minor in nature, the employee should have an understanding and sympathetic attitude. There are numerous calls of this nature when, by taking a little time to explain to a member certain procedures or requirements of the cooperative, the manager would avoid some service calls. These same considerations apply to meter reading, meter setting, tree trimming and right-of-way clearing, collection of accounts, and other items of a service and operating nature. It should be the goal of each employee to create good will among the consumers and to eliminate any ill will that may have crept in, thus at all times striving to build better member relations.

d. Newsletters and Circular Letters - Management Division fieldmen should encourage the cooperative to have a regular newsletter. Good member relations are an important factor in cooperative management that can be attained only when the membership is fully informed about the cooperative's program, its progress and its problems that affect the members as joint owners of the business. A well planned newsletter will carry on this constructive educational work more effectively and at less cost than any other medium. It cultivates pride of ownership, encourages discussion of cooperative affairs between members and stimulates interest in all member activities. This results in greater operating economy because of a better understanding by the members of what they can do to promote efficiency and reduce costs that are due to their oversight or negligence. While it may be necessary to supplement the newsletter with circular letters to meet occasional unexpected emergencies, a well planned publication will reduce this probability to a minimum.

REA's Information Services Division will advise any borrower that requests help about the types of publications that can be issued and their relative merits; suggested regular subjects and their sources; features that build reader interest and how to obtain them. You should carry sample newsletters that have been approved by Information Services as good examples of effective publications. Where you find a cooperative receptive to the suggestion that a newsletter should be started, or in need of help to strengthen a newsletter that is already being issued, you should refer them to the Information Services Division for any specialized assistance they may need. Information Services supplies the cooperatives regularly with constructive material for their guidance in producing good newsletters and its trained personnel will provide any special assistance needed in any unusual or difficult problem involving member or public relations.

e. Annual and Special Member Meetings - The Management Division has a special concern in assuring valid member business meetings. One of your important duties is to see that each cooperative is making adequate plans for its regular annual meeting, or for any special meeting it may have scheduled. However, successful member business meetings are also the concern of REA as a whole and all other field representatives are expected to interest themselves in the subject and to lend their assistance. If previous member meetings have not been successful, a special study should be made to determine reasons for their inadequacy and the manager should be advised what corrective steps to take. A special packet on the subject of planning annual meetings has

been prepared by the Information Services Division, copies of which have been sent to all REA field representatives. You should familiarize yourself with its contents so that you will be prepared to explain the importance of each step that is outlined for planning, publicizing, organizing and conducting a member meeting, and with the type of reports the meeting should include. You should call the attention of the board of directors and the manager to the helpful information contained in this packet and, if they have not already received one, advise them that it is available to them upon request. It is important that annual meeting plans be gotten under way far in advance and that any special or unusual matters that are to be considered be carefully studied. If special problems exist relating to area coverage, power use or similar subjects, you should advise the cooperative to seek the assistance of representatives of the Applications and Loans Division, or of other REA division representatives whose activities may be affected, in planning a meeting. You should make a report to your Regional Head promptly on any special problems to be considered, informing him what other REA divisions you have advised the manager to contact for specialized help. It is important that this be done at the earliest possible moment in order that all divisions affected may have ample time to give the matter proper attention. You should also inform the cooperative that if they need special assistance from the Information Services Division to meet unusual conditions that have not been anticipated in the annual meeting packet it is better to determine this fact very early in the planning stage so that proper steps can be taken to provide it.

2. Relations with the Community

While the purpose of the cooperative is to make central station service available to the local community, the cooperative management sometimes loses sight of its responsibility and relation to the community, or groups of communities being served. Whenever possible, directors, representing the cooperative, should take part in community affairs in their respective counties or districts. Friendly relations should be maintained with such organizations as Chamber of Commerce, Junior Chamber of Commerce, Kiwanis and Rotary clubs, schools, scout activities, 4-H clubs, and other community activities. You should advise the manager and board members that by working in harmony with these activities whenever possible, a closer community and membership relation can be built and maintained for the mutual interest of the cooperative and its members.

3. Relations with REA

REA's primary responsibility is the lending of public funds to eligible borrowers for furnishing central station electric

service to persons in rural areas. Incidental to this primary responsibility is the responsibility of safeguarding these loans in compliance with the law, including guidance and assistance in operations of the systems to promote maintenance of their earning power. REA recognizes the fact that the cooperatives own and operate their own businesses. Its policies and procedures relating to the management of the cooperatives are based upon this fact and its purpose is to carry out these policies and procedures in a manner that will encourage pride of ownership and develop sound managerial ability on the part of the owners. As practically all cooperative members, from whom the directors are chosen, are farmers with limited experience in managing electric utilities, REA's program of guidance and assistance is graduated to fit their needs. The more intensive help that is required in the early stages is expected to diminish as the cooperative boards gain experience. Management fieldmen should keep these facts in mind in their discussions with board members or managers concerning cooperative relations with REA and should cultivate friendly cooperation based upon complete understanding. REA procedures coming under question should be discussed freely and explained.

Suggestions offered by the cooperative for improving procedures should be reported promptly to your Regional Head. You will receive information from your regional office from time to time about the manner in which some cooperative is answering REA correspondence or submitting reports required by REA. Maintain an attitude of friendliness in discussing such matters with the manager and report any suggestions he may make to your Regional Head.

4. Relations with Commissions

The cooperative management should be acquainted with members of commissions which have regulatory authority over the cooperative or jurisdiction over matters of joint concern to the cooperative and the public in his State, or in counties within the cooperative's service area. Where applicable, this will include State Public Service, State Highway, State Tax, State Insurance Commissions, and commissions that are on county levels. It is a good policy for the manager to make a personal call at least once a year to the offices of the commissions to renew his acquaintance with the old members and to meet any new members who may have assumed office since his previous visit. During his visit, he should get an idea of the commission's staff organization and make an effort to meet the key personnel, especially in the engineering or other departments that would directly affect the cooperative's relations. If the commissions issue any publications that are of interest to the cooperative, a request should be made that the cooperative be placed on their

These matters and problems concerning them are specialized. The Applications and Loans Division has specialists to assist the cooperatives in wiring and power use, and has developed manuals and informational material on these subjects. The cooperatives should be so informed and urged to use these services.

7. Relations with Engineers, Contractors, and Attorneys

It is frequently necessary for the cooperative to employ consultants or specialists to perform certain services within the scope of their specialized training or activities. The Manager and the Board of Directors should understand the extent of such special service agreements, or contracts, and be in a position to maintain harmonious relations with these parties that will expedite efficient and economical completion of the work involved. Services of engineers and contractors come under this description. The nature of their special work is such that the Manager must have direct relations with them to an extent that makes it imperative for him to fully understand the mutual obligations that exist between the cooperative and the second party to an agreement or contract. You should ascertain that such an understanding exists and that relations are being maintained along the lines of the discussion which follows. Another special service arrangement is that between the cooperative and its attorney.

The extent of your contact with these special phases of the cooperative's activities is to determine by discussion with the Manager or the Board of Directors whether or not all parties concerned have a full mutual understanding of the obligations involved that is bringing about satisfactory results. If such is not the case you should not attempt to instruct or advise engineers or contractors about the performance of their work or question the activities of an attorney. All matters related to engineering or construction contracts or agreements are the direct concern of the Engineering Division and all problems arising from the services of the cooperative's attorney must be referred to the Office of the Solicitor.

a. Engineers - In most instances, engineering services performed for the cooperative are provided in accordance with a contract which is approved by the Administrator.

In connection with these engineering services, it should be noted that all work performed by an engineer under contract is subject to the review of the Engineering Division of REA,

which has the primary responsibility for seeing that such work is performed adequately, economically, and in an expeditious manner. You should determine whether the relations between the manager and the engineer are harmonious. Where relations exist that appear to warrant corrective measures, you are to report the situation to your Regional Head for his determination of necessary action. One important factor having a bearing on this cooperative manager-engineer relationship is that the manager must make proper arrangements to compensate the engineer promptly upon his completion of stipulated phases of the engineering services as established in the engineering service contract. This obviously means that the manager should familiarize himself with the terms of the contract and therefore be able to anticipate the amounts due the engineer.

b. Contractors - In most instances where construction work is performed by personnel other than on a cooperative's payroll, such work is done in accordance with a construction contract which is entered into between a cooperative and a contractor and is approved by the Administrator. In general, this contract covers the major installation work of materials used in the construction of the system. The contractor may be working under a labor only type of contract which provides for the installation of the material only, or under a labor and material type of contract which requires him to furnish the materials in addition to the labor for installation. Since the cooperative's engineer is basically responsible for the design of the construction work to be done as incorporated in the construction contract, the contractor will naturally look to the engineer for his assignments evidenced by staking notes or other written instructions. For this reason, it is advisable for the manager to discuss with the engineer any desired variations in the scope of the construction work because the contractor expects to receive his instructions for any changes from the engineer.

An important phase to be considered in the relations between a manager and a contractor is the fact that a contractor usually makes sizeable advance expenditures in the construction work and is entitled to receive prompt payment for work accomplished. Since the manager must make the arrangements for payments to the contractor, you may well point out that he should be familiar with the conditions of payments as included in the contract and that he should take the necessary steps to have the funds available for payments when due.

c. Attorneys - The board of directors of the cooperative is responsible for the employment and compensation of its attorney,

but his appointment is subject to the approval of the Administrator and any fees payable from REA loan funds are subject to the limitations prescribed by REA. In employing an attorney the cooperative should make certain that it obtains the services of a person who is in sympathy with cooperative principles and who represents no interests that might be adverse to the cooperative rural electrification program. Previous experience in cooperative or corporate practice is desirable. The cooperative's manager and the attorney should coordinate their related activities in order that their working relations will be most effective. In accordance with procedure the Office of the Solicitor provides the cooperative's manager with copies of all correspondence to the attorney requiring action. With this information the manager then is in a position to follow up where necessary on any particular matter.

The usual attorney-client relationship exists between the attorney and the cooperative, and the matter of a retainer fee is one for mutual agreement between the attorney and the board of directors.

REA will advise borrowers, if they request advice or information, as to an appropriate retainer fee, taking into consideration the size of the cooperative, the type of legal problems likely to arise in that state, and fees paid by other cooperatives of similar size and financial condition. However, since retainer fees are not payable from loan funds, they are not, in general, subject to REA approval. In order that uniform policies may be followed with respect to legal fees, it is important that all questions concerning them be referred to the Office of the Solicitor.

Because of the fact that numerous special problems frequently arise, you should not attempt to give advice in specific cases and should always refer such matters to the persons charged with responsibility in such matters - the Office of the Solicitor.

II COOPERATIVE'S ORGANIZATION

1. Relations of Directors and Managers

General - REA-financed cooperatives are organized under state laws. The membership elects a board of directors or trustees in which are vested certain rights to make policies and carry on certain business functions. Certain other rights remain vested in the members. A director is elected by the members because of their confidence in his willingness to be of service to his cooperative and his community. He must be a member of the cooperative and a user of its electric service. A director receives no salary for his services and should not hold any paid job in the REA cooperative. He should not be connected with any business that expects to profit out of the existence of the REA cooperative, nor should he try to use his position of influence to get friends or relatives on the cooperative payroll. Since the board of directors is concerned with planning and policy rather than execution, it is authorized to employ a paid manager to manage the affairs of the cooperative. It is the responsibility of the Board of directors to establish policies, approve plans and programs, and to see that they are executed. The manager is in delegated charge of the actual operation of the cooperative. He takes his orders from the board of directors as a whole, not from individual directors. All other employees work under his orders and direction. During the construction period he must organize the work of getting easements, getting members signed up, getting yard poles and meters located, and for getting lines energized as rapidly as possible. It is of the utmost importance that he coordinate the work of the cooperative's attorney, the cooperative's engineer, and the contractor to see that construction proceeds rapidly. It is equally important that he help members get their homes and farmsteads wired and ready for service in advance of line construction. When the cooperative's lines are energized, he must arrange for the reading of meters, billing and collecting of service charges, proper servicing of the lines, connecting of new members, and must give advice to members on how to put their electric service to most profitable use. In addition, he must take care of all the other matters that are part of developing and operating such a cooperative enterprise. While it is his job to manage the cooperative for the benefit of its user-members, he should be able to rely on the loyal cooperation of all members at all times.

a. Policies - The formulation of policies applying to the management of the cooperative is the responsibility of the board of directors. REA activities in connection with cooperative policies is strictly advisory. Management Division fieldmen should study the cooperative's policies in relation to their conformity to proven standards, compliance with all applicable laws and regulations and with the by-laws of the cooperative. With this information you should be in position to render valuable advice and assistance to the board of directors for its consideration and guidance when this service on your part is requested. A helpful device for simplifying the location of board policy actions is an index of the minutes of all board meetings. This indexes board actions on policies and other important matters in an orderly manner so that they may be easily located. If an index of the minutes is not being kept, you should explain its advantages as a time-saving device to the manager and suggest that he consider its establishment. A sample, illustrating its simplicity, follows:

Rates

9-20-38 - Standard rate schedule approved

5-16-42 - Water heating rate approved

This is a very simple procedure, but it saves valuable time when it is necessary to refer to any policy matter. The manager should make excerpts of the minutes where policies or procedures are changed. They should be distributed to the appropriate employee affected and a copy should be tacked on the bulletin board.

b. Plans and Programs - Plans and programs for extending the activities and services of the cooperative stem from and should be in conformity with policies established by the board. The manager, with the approval of the board of directors, is responsible for initiating and carrying out the necessary plans and programs to attain the cooperative's present and long-range goals. You should acquaint yourself with the cooperative's plans, the manner in which they were developed and the extent to which they reflect the objectives of the REA program, and be in a position to offer the manager constructive suggestions that may be helpful to him in carrying them out. Where plans have not yet been formulated or are in the process of development, you should keep in mind that REA has specialists in many activities and it is your responsibility to encourage the cooperatives to request the assistance of other divisions on their specialized problems.

When encouraging cooperatives to undertake educational activities to bring about more efficient and beneficial use of electricity, you should urge them to take full advantage of special services that can be supplied by REA's Applications and Loans Division. Agricultural extension services, agricultural colleges and other similar agencies and institutions also contribute useful material on this subject. When notified by your Regional Head that such action is appropriate on a cooperative you should urge the employment of an Electrification Advisor, and refer the manager to the Applications and Loans Division for guidance and assistance in developing their power use program.

c. Execution - This might well be divided into two parts - (1) accountability by the directors to the members for the board's stewardship of cooperative affairs, and (2) the successful carrying out by the manager of the policies, plans and programs delegated to him by the board. This can be summarized as follows: In knowing what to do as stated in general policy; in knowing how well things should be done as set forth in standards of performance; and in knowing how well things actually are done as revealed in records and reports. Here is where you, as a representative of REA, can be of the utmost assistance to the cooperatives in aiding them in evaluating the results obtained. It is very important that the directors and the manager clearly understand their responsibilities and relationship. This can well be illustrated by an organizational chart. There should be faith, confidence and good will if success and good relations are to be maintained. The execution of the program may be further divided into functional organization of operating staff, office staff and other activities.

2. Organization of Operating Staff

General - Organization of operating staff can best be visualized by looking at the over-all picture of the functional organization chart. First, we have the board of directors, which is the group that determines policy, program and planning. Next, we have the manager. He himself must perform many functions of a general business nature, must plan, coordinate and direct the work of those assigned to special functions and must exercise general supervision over all cooperative personnel. He is the man who must constantly face two ways: Toward the directors for policies, plans and instructions; toward his staff for the proper execution of the board's policies. In order that there may be clearly defined lines of duties and responsibilities, a job description should be written, defining the duties of each employee assigned under the particular

function. The job description should outline the work to be done, when it is to be done, and how it is to be done. The employee may perform several jobs which may be classified under different functional divisions. Therefore, the individual's name might appear on the functional chart in two or more places. As an illustration; a stenographer may be assigned to perform certain work for system operation, engineering and general office. By having the duties and responsibilities clearly outlined in the job description, the manager is enabled to look for performance from his key personnel that heads up the various functional staff. This pattern is passed on down the line to the lowest level. You should observe the functioning of the organization and review the methods and procedures followed. After a careful study you should advise and assist in improving the performance, working conditions and job safety so that better results may be effected. By observing the routine procedure followed, you may oftentimes suggest the shifting of employees from one position to another to bring about better working relationships and improvements in performance. Advice and assistance should be given with reference to job training and safety programs to improve the standards of work performed by the employees.

3. Organization of Office Staff

This is a function under the direction of the manager. It consists of the office work such as proper accounting, keeping of records; making reports, billing and collecting, handling of cash and other financial and related duties. The number of positions falling under this function will vary according to the size of the cooperative. Job descriptions should be written for all employees to clearly define the duties for which they are individually responsible. Where possible, jobs related to handling of cash or its equivalent should be segregated so as to provide internal control. Managers should be constantly alert for ways and means of improving the internal control, of stimulating work productivity and striving for higher standards. Accuracy and promptness in office activities are essential to good business management, as it is through the summary analysis of the financial and operational trends that the manager and the board of directors evaluate the performance of the operating staff and the execution of policies and plans. In reviewing performance you should be mindful of ways to reduce and maintain low cost. It is well to keep in mind the famous verse of Kipling:

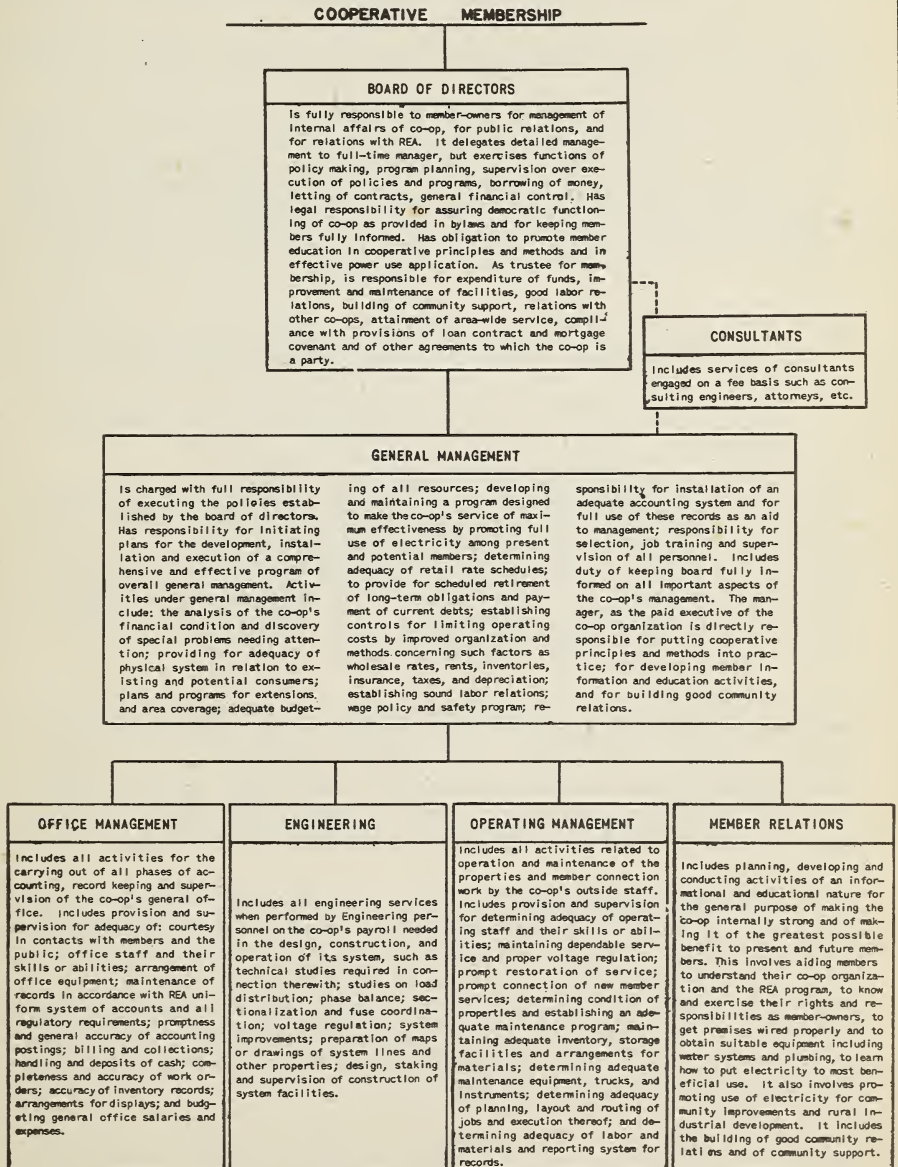
"I keep six honest serving men,
They taught me all I know,
Their names are Why and What and When
and Where and How and Who."

4. Organization of Other Activities

Educational efforts to promote effective power use and cooperative functioning are standard activities which should be carried on by all cooperatives. In addition, some cooperatives are concerned with functional activities that cannot be broadly classified as standard, such as merchandising, refrigeration or other. The manager should study these activities to determine their proper place in the cooperative's overall operating schedule, and should prepare a job description for each member of the staff assigned to them so that his duties and responsibilities may be clearly defined and the work coordinated with the overall plans and program of the cooperative. You should familiarize yourself with these activities and be in a position to supply the cooperative with constructive advice and assistance relating to them. Your studies should take into account special services that are available from other REA divisions and the manager should be urged to seek specialized help when it is applicable to his problems.

For your guidance in discussing the organization phase of a cooperative's activities an organization chart of a cooperative's management activities is presented on the following page.

ORGANIZATION OF MANAGEMENT FUNCTIONS OF AN REA-FINANCED COOPERATIVE



III. COOPERATIVE'S GENERAL MANAGEMENT

This work is performed largely by the manager, and it normally takes a considerable portion of his time. It requires the thoughtful consideration of long-range factors, such as funded debt, system growth and capacity, electric rates and personnel policies. Also a part of this function is the overall balancing of the emphasis to be given to the several phases of the cooperative's activity. This takes expression in the general budget, which is the summary analysis of general financial plans.

If this function is weakly handled.....all others are subject to being performed in unguided, unbalanced fashion.

1. Analysis of Financial Condition and Discovery of Special Problems

This function should be discussed with the manager and board in terms of gaining a full understanding of the rather complicated picture which the financial situation presents. The cooperative, being a modern corporation, finds it necessary to use approximately 125 accounts, in its ledger, to accomplish proper expression and handling of its varied assets, liabilities, net worth, revenues and expenses.

Performance analysis is necessary because of the complex accounting structure required in transacting business. It should be made clear that performance analysis is not done for its own sake, or for the sake of form, but only in order to bring pertinent knowledge out of the records, where it may be used by management and by policy-making authority.

This pertinent knowledge will for the most part be understood by, and be valuable to, managers who have a reasonable understanding of the operating statement, and of the accounts which are most commonly used. If the manager does not have this training, his work in getting and using this pertinent knowledge is made very difficult technically, in addition to the presence of something of a psychological gulf between him and the bookkeeper on this subject.

In such a case, it is appropriate for the fieldman to explain some of the fundamentals, in the most interesting way possible, keeping the practical value of learning this subject always in

the forefront. If a little working knowledge can be gained by the manager, he may be able to forge ahead by himself, or with the aid of the REA Correspondence Bookkeeping Course. You should give examples of performance analysis from cooperative records, so that the type of knowledge which can be gotten from the records will be apparent and will indicate the value of such activity.

The beginning of performance analysis can be made by a manager, who is familiar with the primary tools, by determining the amount and nature of each of the items which makes up the totals of the balance sheet. Such information can be determined, in considerable detail, from the Balance Sheet of the Operating Report, or in complete detail, from the Trial Balance or from the pages of the General Ledger.

The managers can examine, (with the help of the Manual of Accounts, or of the bookkeeper) the status of the

- cash accounts;
- deferred debits, and prepayments of expenses;
- detailed plant accounts;
- individual expense accounts;
- current liabilities;
- long-term debt accounts;
- membership account;
- Capital Credit or Surplus accounts;
- Revenue and Contributed Capital.

He then knows where the cooperative stands with regard to the many classes of assets, liabilities and net worth, into which it divides its financial status. He may then make comparisons to determine if Cash will cover Current Accounts Payable, and estimate if expected receipts in the coming month will meet expected accounts payable.

The manager may determine if proper provisions are being made to set aside funds for quarterly amortization payments; whether interest accrued but not due is being properly recorded.

He may determine whether plant values are being taken out of work-in-progress accounts promptly, so that they may be classed as plant in service, and subjected to proper depreciation charges, and whether retirements of property are being reflected in plant and depreciation accounts.

In the event that the General Funds are seriously depleted, because of materials or general plant purchases, this condition will be evident, and remedial measures may be taken.

A comparison of funds available for retiring the Federal loan, with the scheduled provisions for repayment can be made at regular intervals, and any unfavorable trends toward a delinquency on the loan can be noted.

2. Adequacy of System in Relation to Existing and Potential Consumers

This consideration is a general managerial problem arising from the facts that the rural electric systems are not constructed in their entirety at once, and that the use of electric power has continued to increase greatly.

The adequacy of the system, with respect to existing consumers, can be watched closely by the manager, through the careful use of the reports, described in Group IV, which indicate line voltages, and the duration and frequency of outages. Attention to these reports will enable the manager to anticipate poor voltage conditions, before complaints begin coming in. Similarly, he should be the first to know of an unwarranted frequency of outages, so that he may investigate and begin corrective measures. If analysis indicates the need for engineering assistance from RREA, such assistance is the responsibility of the Engineering Division and not the Management Division. Therefore, you should advise the cooperative to seek the services of the Engineering Division on these specialized problems.

Such attention has an economic side, in addition to the normal desire to serve the consumers well, since motor burn-outs due to low voltage, or brooder or hatchery losses, due to outages, frequently result in damage claims. Relation between voltage and revenues is also important economically, since the better service rendered by good voltage involves a greater sale of kwh for the same consumer equipment.

The manager's standard should be service to all of his consumers, at good voltage, and with interruptions reduced to the minimum consistent with necessary repairs and the climatic conditions which exist.

The fieldman should aid the manager in using the voltage and outage reports, and should illustrate with instances in his experience the value of attention to this subject. It may be said that the occurrence of complaints not only creates bad member relations, but the time spent in handling them is better spent in the prevention of such conditions. The adequacy of the system is a subject which should be regularly included in reports to the board.

Consideration of the adequacy of the system in relation to potential consumers generally involves more information and data than are usually readily available to the manager. The extent of service should be determined in terms of a System Boundary, in connection with which assistance is being given by the Applications and Loans Division. Within such a boundary an Area Coverage Survey should be made, with the assistance and guidance of the Applications and Loans Division, to determine the number and location of potential consumers. Consideration should then be given to the existing system in its relation to these potential consumers, by means of an Ultimate System Study, performed by a consulting engineer under the guidance of the Engineering Division.

Such an Ultimate System Study will include a technical study indicating to the manager the system alterations, such as re-phasing of lines, increases in wire sizes, installation of voltage regulators and new power sources, which will be necessary as the system approaches the ultimate size, and as power use approaches the ultimate kwh per month (estimated by the system, with guidance from the Applications and Loans Division). The manager is then able to make plans for and to execute these alterations as his regular reports on system adequacy indicate that the necessity is approaching. It should be noted that savings should result from preparation of an overall plan since no expedients which will not be a part of the ultimate plan need to be employed.

In order to plan for an adequate system for existing and potential consumers REA has outlined for use by the cooperatives programs for developing the System Boundary, the Area Coverage Survey, and the Ultimate System Study. When problems arise on these items you should refer the manager to the Applications and Loans Division for assistance with regard to the System Boundary and the Area Coverage Survey and to the Engineering Division on Ultimate System Studies, for these divisions have the prime responsibility for the completion of these respective programs.

3. Plans and Programs for Extensions and Area Coverage

It is the responsibility of the manager to formulate and to recommend to the board, programs for the construction of extensions to the existing system, and for the ultimate coverage of the cooperative's area, within the limits of feasibility.

Generally he will need as his first tool the Area Coverage Survey mentioned in Item 2, so that the total job will be clearly before him, and so that areas which will yield the best initial

results may be determined. He should ask the Applications and Loans Division for assistance, as needed, in the preparation of these programs. Management Division representatives should not attempt to give specialized assistance to managers on these matters but should refer them to the Applications and Loans Division. The manager's responsibility lies in supervising the execution of board policy in the development of unserved areas. This is accomplished by obtaining and supervising qualified personnel to get memberships signed, easements secured, and maps made, to the end that completed data will be forwarded to REA, on the basis of which an allocation may be considered.

The manager should be urged by you to budget his time, so that the necessary proportion of his time is available for this duty as well as other responsibilities; to delegate clear responsibility to competent personnel for this job, and to check on the accomplishment of this work, so that no delay will result in the extension of service to potential consumers who want the service.

4. Budgeting General Activities

The present budget document, which follows generally the form of the operating report, is one which has both general and detailed characteristics. The use of the portions of the budget form, which constitute a general budget, is one of the important duties of general management.

The general budget is the assembled summary data which gives the overall financial plan for the cooperative for the coming year. It includes, for the year, (or for each month) the totals for:

- revenues and patron capital
- operating expenses
- office expenses
- utilization
- special services
- insurance
- director's fees, dues, donations, and
miscellaneous
- depreciation
- amortization of intangibles, etc.
- taxes
- other income and expense
- interest
- capital credits.

The composition of this budget will be determined, in part, by the sub-budgets, which reflect the programs of the operating and office departments. Other items will be somewhat inflexible such as depreciation, taxes, insurance, etc. However, the use of the general budget permits the manager to consider the whole of the cooperative's activities, and to plan the emphasis which each of the parts should best have in a balanced program.

General management requires knowing the overall objectives, both immediate and long-range, and the general budget is the instrument which makes possible laying plans toward the objective. Study of the completed budget will indicate whether adequate funds are available for planned operations, repayment of loans, or desired reduction of rates.

Assistance should be given to the manager and board in setting up budget figures in this overall fashion. Its use should be urged as a means whereby the manager can view all of his job, and can escape from the distortions of judgement which can result from being close to parts of the work in several departments.

The proposed general budget should be presented to the board for consideration, accompanied by a full explanation of the plans which are the basis of the figures. This explanation should be such that the policy-making function of the board may be expressed by changes in the budget, if the plans of the board are different from those presented. To make this relationship possible, the budget explanation should be complete, yet simple and wholly understandable to the board.

The significance of the approved budget should be emphasized. It is the instrument through which the board makes its broadest determinations of policy, and it is the manager's authority to operate for the coming year, within the limits set by the budget. It is also the means through which the board and you can keep in touch with the adequacy of the plans to repay the Federal loan.

You should be of maximum assistance to the manager in his budget work. This will usually begin with a thorough presentation of the value of budgeting, and will include the illustration of methods of computing the budget, and general training in its use. The actual preparation of the budget is of course the manager's duty; however, assistance in getting started may be properly given. Through December of each year, and until all budgets are prepared, this should be a major item in each visit to a cooperative's office. The letter of explanation which accompanies the budget forms will be of assistance to you in this work.

5. Activity in Procuring Maximum Business for Existing System

Advice and assistance from REA in respect of obtaining new members including the signing up of consumers on existing lines purchased by the borrowers and of increasing use of electricity is primarily the responsibility of the Applications and Loans Division. You should refer the manager to them in connection with his general problems on these subjects.

a. Getting New Members - Although, at the present, potential members are pressing the cooperatives for service, one of the duties of general management would normally be the securing of new members of the cooperative. As area coverage efforts take the system's lines into thinner and thinner territory, it becomes important that all potentials who can profitably use service take advantage of construction plans, so that a sufficient sign-up may be gotten to indicate a feasible allocation of Federal funds. There may be many lines, close to the border of feasibility, which can be included in the system, bringing electricity to those who want it, if some doubtful potentials can be persuaded to join in the enterprise. The manager should be cooperative with the owners of small individual establishments who may wish service from the cooperative's lines.

The manager will normally use a cooperative employee in membership solicitation. He should supervise this employee, so that his work is performed most effectively. The manager, himself, should be prepared to address local meetings on this subject, indicating the advantages of the use of electric power on the farm and in the farm home.

b. Increasing Use Per Member - The members are benefited, and the welfare of the cooperative is advanced, as members learn to make the best possible use of electricity. The obligation of general management to show the way toward profitable uses of electricity on the farm is commonly handled through the electrification adviser. This employee will be trained and assisted by the Applications and Loans Division in this aspect of his work. However, as a rule, he will also be required to conduct other phases of the member education and public relations programs of the cooperative which are the concern of cooperative management. This will include member education in the principles of cooperation and the essentials of good cooperative functioning to encourage active member participation in cooperative affairs - an aspect of his work which is of continuing concern to the Management Division. You should understand the nature of all work assigned to this employee

and be able to evaluate the progress being made with it so that you will be in a position to discuss it intelligently with the manager or the board and offer constructive suggestions, when needed, that will result in efficient functioning in this field of effort and proper coordination of the duties of all employees that are connected with it.

6. Retail Rates

a. As a Source of Revenue to Cover Expenses - From the viewpoint of general management the electric rates assume great importance since the furnishing of electric service is the primary source of revenue for the cooperative. It is necessary that the manager be familiar with the farm and home, commercial and large power rates (due to the use of demand factors, or hours-use of demand) which may embarrass the cooperative if over-charge is made, or result in a loss of revenue if billing is less than proper. You should offer assistance in the understanding and application of rates, if there appears to be a possibility of such misunderstanding, or if the manager is new on the job. Operations Memorandum 6-2 will be of assistance to you on this subject.

Familiarity with the nature of rate structures is necessary in accurate prediction of revenues for budget purposes. You may be able to assist in making allowance for the lessening proportion of revenue to electric use in such calculations.

b. As a Source of Capital - When the Capital Credits plan is used, the excess of revenues over expenses becomes capital paid in to the cooperative by the consumers. This capital is first applied to meeting cooperative obligations and then, during later years, is returned to the patrons, as the financial condition of the cooperative permits, the first capital paid in being the first returned. The rate schedules will determine how fast such revolving capital is accumulated and retired, and become an instrument of board policy in this respect. You can assist in the calculations involved in such an instance.

c. As a Promotional Influence - The present rate structures are promotional in character to the extent that the cost per kwh decreases as the quantity used increases. The manager can stress this fact, with appropriate illustrations, in his efforts to indicate to consumers the ways to use electricity profitably in farm activities.

In the manager's responsibility for recommending rate changes to the board, he should keep in mind that any promotional

characteristic of a rate should not interfere with the economic characteristic of the rate as the prime source of revenues. Questions on this subject should be referred to the regional office so that the services of the rate specialist may be utilized.

d. General - You may observe from copies of correspondence the status of rate matters in which the regional office is assisting the cooperative.

You may be of assistance in explaining the application of a large power rate, or a general rate revision, or a request for data which are needed by the regional office.

7. Funded Debts and Their Retirement

As a part of general management, the manager should be thoroughly familiar with the schedules by means of which the long-term debt is retired. Under the provisions of the several notes which relate to the loans, you will find different provisions for repayment. The manager will have need of a summary schedule indicating the totals which will be due each quarter until the loans are retired, to be used for budgeting purposes.

You should be familiar with the repayment provisions of the notes so that you may be of assistance to any manager who has not prepared a repayment schedule. You will observe that each note specifically sets forth and determines the manner in which interest will be permitted to accumulate and the schedule for the amortization of the loan after the accumulated interest period.

On loans made prior to the enactment of the Pace Act, September 21, 1944, the notes provided for a monthly amortization schedule and rates of interest above two percent. By policy determination, these monthly amortization rates have been changed to quarterly, with proper adjustment to give effect to the interest saving. These notes are being refunded so as to provide definite amortization schedules as fast as time and personnel in Washington will permit.

Regarding loans made after the enactment of the Pace Act, by policy determination, they follow one of two schedules, i.e.:

1. Loans generally will be for 35 years with a two-year accumulated interest period and straight line amortization.

2. In the case of new borrowers, or where it is necessary for the self-liquidation of the loan, upon justification, a loan can be made at the discretion of the Administrator for 35 years with 5 years accumulated interest and straight line amortization.

You should encourage the manager and the bookkeeper to become thoroughly conversant with the schedules as set forth on the various notes. Normally, representatives of the Finance Division have assisted the managers in preparation of such amortization schedules. Other than assisting the management through the medium of a review of the notes, all accounting questions should be referred to the Finance Division.

You should be familiar with the debt service statements which are sent out by the Finance Division so that you may assist the manager to become more familiar with these statements. You should urge the manager to give clear explanations of these statements to the board, inasmuch as many of the board members do not have an adequate understanding of the method of repayments which is being used.

You will be assisted by reference to the Finance Division "Billing and Collection Manual - B8-21" and the "Supplementary Data for Quarterly Billing" of June 1, 1945, as well as frequently discussing these matters with the REA auditors.

You should also urge the manager to give clear explanations of this subject to the board, since it is noted that many board members do not have an adequate understanding of the magnitude of loan repayments, and of the method of repayment which is being used.

8. Current Debts and Their Retirement

The general management duty in this connection is to pay current debts promptly, in order to keep the credit rating of the cooperative unimpaired, and in order to take advantage of any discounts which result from payment within a specified time.

The two percent discount for cash within ten days, which is frequently offered, usually involves a sum which warrants the close attention of the manager. The fieldman can quickly compute for a manager the discount on the purchases over a year's period, to indicate concretely the saving which should be made.

The condition of current debts can be checked by the manager in his monthly review of the bookkeeper's reconciliation of subsidiary accounts, and oftener as necessary in order to check the routine of treating invoices promptly on receipt.

9. Costs Limited as to Control by Improved Organization and Methods

There are several classes of expenses over which the control of general management is somewhat limited. No less attention should be paid to these items, since it is the duty of general management to keep them at the practical minimum at all times. Items in this category are:

a. Wholesale Rates - Wholesale electric energy is purchased under contract terms which usually run for two, three or five years. Within the life of the contract, of course, there is no means of reducing the cost of units of demand or energy. The manager will want to keep informed of other rates for comparable service, so that he can negotiate actively for rate improvement before contract renewal. In difficult cases, the services of the REA can be requested. Common effort by the manager and an REA representative has frequently brought about very desirable rate reductions.

You should keep informed of the status of wholesale rate matters, and should urge the manager to give time and thought to this subject, and where necessary, suggest that he request REA to supply the assistance of a rate specialist. You should also determine that the manager is familiar with the calculations of the wholesale power bill, so that he may guard against errors in these bills.

Since wholesale rates are most commonly of the demand and energy or "hours use of demand" kind, the relation of the demand (in kw) to the energy used (in kwh) is of great importance in determining the average cost per kwh. Because of present habits in the use of electric devices on farms and in farm homes, this relation cannot be changed sharply. However, thoughtful consideration of this possibility should lead to suggested programs which the manager can introduce, that will be directed toward the sale of current at times of the day which are known to be "valleys in the load curve." Study of the daily load curves, and consultation with the Applications and Loans Division should lead toward plans for improvement of load factor, and consequent reduction in average kwh cost of wholesale power.

b. Rent - Although at present there is not a wide range of choices open to the cooperative manager for his consideration

of the most suitable and economic location for the office and warehouse facilities, the responsibility to make the best recommendations possible remains the duty of general management. You should assist the manager in giving regular consideration to the expense item of "Rents." It is not, of course, desirable that the manager obtain the cheapest quarters available, regardless of other considerations. Some co-operatives have operated from quarters which lacked facilities to adequately serve their members, provide suitable accommodations to employees and promote efficiency in conducting the co-operative's business when they could afford better. The specific considerations which bear on this point are covered in Group V. The renting of pole yards and separate warehouses should also be considered in this connection.

Because of your acquaintance with other offices and warehouses, you can assist the manager in his analysis of the problems of rents, considering both the cost and the degree to which needed facilities are met.

c. Inventories - Prudence in Purchasing - From the viewpoint of general management an important consideration of inventories, excluding those for major construction, is magnitude of the normal inventory to be carried. This consideration meets the eye first in connection with the space which is available for warehousing, which is usually inadequate for quantities larger than those in a carefully balanced inventory. Excess quantities of most items, therefore, usually reduce the efficiency of inventory handling, crowd the bins or floor space, and contribute to confusion and disorderliness in the warehouse. Since inventories are often handled poorly, rather than well, this becomes an important consideration.

In addition to the reasoning above, the fieldman should stress the debt service cost of any amount of the inventory which is in excess of prudent needs. At REA interest rates, each \$1,000 of unnecessary inventory costs \$20 annually; each \$5,000 cost \$100 annually. These are sums which justify the use of general management time and effort to the end that the inventory shall be balanced continually with the changing needs of the cooperative.

d. Insurance - General management has the responsibility to see that the cooperative is adequately protected by insurance against losses where such protection is feasibly obtainable. Policies or certificates obtained by the cooperative are reviewed by REA for adequacy of coverage. You should bear in mind that insurance specialists are available to assist

the cooperatives with special insurance problems and should urge them to take advantage of this specialized help when it is needed.

You should urge that correspondence with REA on insurance subjects be kept on a current basis, and should assist the manager in understanding of the subject matter which is not clear to him. Fieldmen have recently rendered assistance in explaining the greater value of blanket fidelity bond policies, in cases where the managers were reluctant to take advantage of this added protection because of uncertainty regarding this method of bonding.

By tactful discussion you should ascertain if the manager understands the coverages which are in force, and should aid the manager in meeting the cooperative's insurance requirements. The type of insurance requiring the most attention by the manager is the coverage on electric materials and supplies, since the quantity is subject to frequent change. A type of reporting policy has been found to afford good protection in such cases.

You may suggest to the manager that the insurance inspection bureau will give him a building rating, including indications of the factors which build up the rate. Many of these can be eliminated, such as wiring conductors, lack of extinguishers, multiple auto-storage, need of a fire wall, resulting in substantial reduction in insurance rates.

The "merit dividend" which applies to State Unemployment Insurance should be utilized by the manager, and you may check to ascertain that compensation insurance is being paid only on regular hours worked, and not on overtime.

The manager should be urged to turn all claims over to his insurance agent, and to make no settlements himself. All claims should be reported to the Insurance Specialist of the Management Division.

Since the cost of insurance reaches a substantial sum annually, this subject is deserving of regular attention by the manager. The employees should be carefully classified into the proper codes in the compensation insurance policies, since the rates vary considerably for different classes of employees and this type of insurance is generally the most costly of the policies carried.

You cannot render full assistance in this technical field and you should urge the manager to correspond directly with the

regional office so that the services of the Insurance Specialist may be utilized.

e. Taxes - Since the rural electric cooperative is subject to most of the taxes that are applicable to any other business, this item should receive an adequate amount of the manager's attention.

Because of the relative newness of electric cooperatives, there is frequently the necessity for the manager or board representatives of an area to appear before tax boards or commissions to make recommendations regarding tax valuations. Familiarity with the State "REA Act," or other statute under which the cooperative is operating, will be of assistance to you. You should offer general advice, if necessary, and should refer to the regional offices any matters involving legislation or litigation, in which the cooperative could use technical assistance from REA.

The general management of the organization also has the responsibility to see that accurate records are kept, and proper payments made with respect to other taxes, such as Social Security, Unemployment, Occupational or Use taxes. You may be of assistance to the manager by clearing up any doubts regarding the way in which these records may be checked by him in his supervisory capacity.

f. Depreciation - A very important phase of accounting in connection with the computation of depreciation concerns the retirements of units of properties and portions of lines. Where retirement work orders are not prepared promptly, the values of the units of property and/or the portions of lines actually retired remain in the plant accounts, and, when computing the monthly depreciation charge, depreciation is computed on units of properties and/or portions of lines which are no longer in existence insofar as plant values are concerned, which results in a reduction of net operating revenues because of such depreciation charges. Also, as ad valorem taxes are based on plant values, excessive taxes are paid which cause a further reduction of net operating revenue.

Line material inventories would also be incorrectly stated on the books because of materials returned to stock from retirements for which no retirement work orders had been prepared.

Failure to prepare construction work orders promptly upon completion of the construction work and to make proper distribution of the costs to the various plant accounts could also

have a material effect on the computation of depreciation unless it is computed from amounts reflected in the various clearing accounts as representing completed construction cost. Failure to prepare construction work orders promptly and to compute depreciation on completed construction cost from clearing accounts would result in an over-statement of revenue because of the depreciation charge not being included.

Further, in connection with retirements and construction work orders, is the matter of replacement cost of units of property. It is very necessary that you be familiar, as also the manager, with what constitutes a unit of property in connection with retirements and capitalization, also what constitutes less than a unit of property and which should be handled as a maintenance charge. As an example, a pole is considered a unit of property and when replaced, the value of the old pole together with the labor charges should be retired from the proper plant account by a retirement work order and the cost of the new pole together with the labor should be capitalized through a construction work order in accordance with the work order procedure.

That you may be in a position to assist the cooperative personnel in connection with the handling and preparation of construction retirement work orders, and inasmuch as this is the responsibility of the representatives of this division, it is first necessary that you be entirely acquainted with all of the procedures and policies in connection with these matters and the contents of the manual on depreciation. It should be remembered that not only does the handling and preparation of construction and retirement work orders reflect on the amount of depreciation charged and ultimately the net revenue, it also has a direct bearing on the accounting for Government loans.

10. Labor Relations - Wage Policy - Safety

The objective of general management in this field is to obtain the desired productive results from the employees, and to perform the duties of the management in its obligations to the employees. While much of the present consideration of this subject is in specific terms of requests for wage increases, or for union recognition, or of specific employees who do not seem to fit into the organization, it is believed that the starting point of this subject is a recognition of general management methods which lay a ground work for amicable productive relationships.

Constructive efforts in this field begin with the establishment of clear organizational responsibilities, utilizing job

descriptions which give definite understandings between supervisor and subordinate, and which provide for equitable distribution of the work. (These are described in Group II.) Technical questions relating to the subject may be referred to your regional office where the Labor Specialist can be consulted.

In fulfilling the requirements of the job assignments, many employees require training in one or more of their specific duties. It is the responsibility of the management, at different supervisory levels, to give such training as is necessary to obtain satisfactory job performance. So that employees shall not require excessive training, selective methods used in hiring should be carefully prepared, and thoroughly used. Well-written job descriptions are an important aid in determining qualifications and experience of job candidates.

At all organizational levels, the supervision must be fair and understanding, since biased supervision will destroy morale, and any lack of understanding of the employees' views will create a gulf between supervisor and subordinate.

It is also necessary for the employees to know that thoughtful and periodic consideration will be given to wage levels. General management should consider the desirability of meeting the average wage for each class of work in the locality and should take steps to be informed of wages which are being paid for comparable work.

The successful application of these guides will result in loyal and high-productive employees. You should give every assistance in enabling the manager and board to understand the economic value of their use.

The legal responsibilities of the cooperative, under federal law, require that the cooperative not interfere with the desire of any employee to join a union. In the event that a majority of employees are members of a union, the cooperative must bargain collectively, in good faith, with the representative of that union regarding wages, working conditions, etc., for the employees affected. You should indicate that the above provisions are obligatory upon management.

Recent Labor Decisions

(1) In a recent case decided by the National Labor Relations Board, an REA cooperative was held subject to the provisions of the National Labor Relations Act (Wagner Act). Gibson County Electric Membership Corporation, 66NLRB 760 (1946). Although the commerce facts in this case were rather extensive,

it has been held that the coverage of the National Labor Relations Act is wider than that of the Fair Labor Standards Act. Thus, any cooperative subject to the provisions of the Fair Labor Standards Act would also be covered by the National Labor Relations Act.

(2) In several recent cases, courts have held that the REA cooperatives involved in the cases were subject to the provisions of the Fair Labor Standards Act. Phillips v. Meeker Cooperative Light and Power Association, 63F. Supp. 733; aff'd., 158F (2d) 698. In these cases, the cooperatives purchased their energy from municipal plants and served no consumers outside the state. Nevertheless, the courts held that the cooperatives were subject to the Wage and Hour Act.

New interpretations are being made frequently and any questions or doubts should be referred to the nearest regional or field office of the Wage and Hour Division, Department of Labor. Every effort should be made to cooperate fully with inspectors and officials of the Division. For detailed applications of Fair Labor Standards Act, refer to Operations Memorandum 8-1.

Child labor or employment of minors is both a question of labor and safety. Reference should be directed to state laws covering requirements for working papers and restrictions on hazardous occupations. Public relations are most responsive to violations of child labor laws and to injuries caused by permitting minors to perform work prohibited by law. One borrower was required to pay treble liability plus 15 percent penalty because a 14-year old boy was injured on prohibitive employment. The insurance carrier paid \$5,775 and the State Industrial Commission assessed the cooperative \$15,064.30.

Managers in many states are now getting assistance in their responsibility for training employees through the Safety and Job Training programs which have been organized. These are frequently joint efforts of a state college and the electric cooperatives, and utilize the full-time services of an instructor who calls on each cooperative. There, he holds a meeting of the line force on subjects relating to competence on the job and safe practices. You should urge the manager to cooperate fully with this program, and to take an interest in the meetings that are held. In his supervision of the line department the manager can follow up on the safety and training recommendations which have been made and, generally, can gear in with the program and give it his authoritative support.

11. Use and Application by the Manager of Accounting Records and Data

The accounting records are the principal source of information from which the manager can determine the collective nature of all

of the transactions which occur at his desk and at the office counter during the month.

The accounting aspects of records will be discussed with the manager and the board of directors by the auditor while the Management Division field representative will discuss the significance of the operating data and the methods of operations that resulted in the data presented by the accounting records and the audit report.

From these records the manager can determine the degree to which the organization has been able to spend, in accordance with the plans which are expressed in the general budget and in the sub-budgets. If these plans were meaningful and constructive programs which he felt should be carried out, he will want to check not only that they were physically accomplished, but that the funds used were in the amounts which were allotted for the programs. In the event that expenses differ from those budgeted, the totals entered in each account will give him a start in analyzing the difference. A sizeable difference may lead him to examine the individual entries, or the work documents which detail the expenses, so that the difference may be justified, or so that the methods which lie behind the figures may be changed to conform with the programs which have been laid out. In this connection it must be remembered that you, as a Management Division field representative, should not under any conditions attempt to instruct the bookkeeper in accounting matters other than by reference to the accounting manual and instructions issued by the Finance Division. In the event that these instructions are not clear, the problem should be referred to the Finance Division.

The accounting records also give the manager an opportunity to check his expenses with usual standards for such work. The "per mile" expense for Line Operations, for Line Maintenance, and the "per consumer" expenses for Accounting, Billing and Collecting, and for Office Expense, should be nearly the same for systems of approximately the same size and locality. The factors which affect the comparability of these standards such as minor differences in salary levels, age of system, location of system headquarters are known to the manager, and allowances can be made in using such comparisons. You should assist in using the accounting records for such expense analyses. You may have recent figures in which the main categories of expense are graphed against size in miles or in consumers, or you can construct such helpful graphs during a tour of the systems in the area. The making

of such a graph is an interesting way to introduce the discussion of this subject, in conversation with the manager.

The accounting records are of great value to the manager in his computations for the next year's budget. When he considers them in the light of known accomplishments for the past year, and allows for the efficiency of operations during that period, he has starting figures upon which to consider the program for the following year. The fieldman should give assistance in assigning cost values to the projected programs, and in interpreting the figures of recent operations as they bear on future plans.

12. Supervision of Operating and Office Staffs

This function should be stressed by the fieldman, since it is frequently neglected due to the pressure of other duties or due to the manager's lack of experience in one or both of these fields.

If the manager makes supervisory checks of his principal subordinates such as the line foreman and the bookkeeper, he has a means of making regular and orderly determinations of the competence of these employees. That is, of course, a duty of general management, in order to guard against the deterioration of the work of any department. Supervision of the line foreman may be done by checking the work schedule proposed for the day, or week, in the event that the program has been worked out, giving the foreman some latitude in its execution. A portion of the maintenance work, or tree-trimming, which has been reported as done can be checked by the manager, while he is en route to a nearby part of the system. The quantity of work done may be compared with the man-hours charged as a determination of the industry of the line force. At monthly or quarter-yearly periods, the manager and the line foreman may compare the maintenance, operation and construction work accomplished, with that which was projected in their sub-budget planning activity for the operation department. If the projected work has not been done, the expenses charged should be proportionately less, or other justifying reasons should be apparent.

Supervision of the bookkeeper may take the form of spot-checking, in a tactful way, some of the journal entries, checking of the month-end reconciliation of the control accounts with the related subsidiary accounts and reviewing some of the entries in the Consumers Ledger. Depending on past experience, some or all of the large power consumer bills should be checked to determine if the two-part rates are being supplied correctly. The manager should discuss with the bookkeeper the supervisory responsibilities which that employee has over the rest of the office force,

and determine if training is being given as needed, if any adjustments in the division of duties is desirable in the office, about personnel problems, etc. Progress in bringing up to date any work which is in arrears, such as membership records, or operating reports, should be checked frequently, and training given the bookkeeper as needed, to keep the program on a current basis.

IV. COOPERATIVE'S OPERATING MANAGEMENT

1. Adequacy of Operating Staff - Skills - or Ability

In studying staff adequacy, the number of employees engaged and their skills must be measured against the volume and type of work to be done and a careful analysis made to determine whether or not maximum results are being obtained in work performance. Here paragraphs 2, 3 and 4 of Part II, dealing with organization, personnel classification and job description, are brought into prominence. If the manager has given this subject proper attention; has prepared an accurate chart of personnel activities, and personnel records are complete in all essential details so that the abilities of each employee may be correctly evaluated, it is comparatively easy to determine what improvements may be possible in utilizing existing forces, or what additional personnel may be needed. If job descriptions have not been prepared or are lacking in essential details, and personnel records are incomplete, advise the manager to this effect and assist him in taking the necessary corrective steps.

2. Special Operating Budget

The special operating budget is an integral part of, and is included in, the general budget, as explained in Group III, Item 4. On the budget form, the operating budget is identified on lines 21, 22 and 23. In the operating budget these items might be expanded to include some of the details that go into the caption item. The operating budget should be compiled with the assistance of the line foreman, who should have definite recommendations to make regarding the amount of work to be done and the estimated cost of doing this work. Practically all of the expense items in the operating budget can be termed "controllable" expenses, such as operation and maintenance. These items should be estimated somewhat in accordance with the availability of funds wherever practical. The desirability of stretching revenue to cover all charges against it should not outweigh consideration of maintenance necessary to adequate service and proper functioning of the system. A proper balance between the two should be struck.

Estimates of maintenance and operation expenses will be in proportion to the available revenue and the number of miles of line and the number of consumers to be served. Records should be kept from year to year that will be a valuable

guide in determining these factors. The various expense records may take the form of tables, charts, or graphs, based on a "per mile," "per consumer," or "percent of revenue" unit. With the data available from these records and a knowledge of the system condition, the head lineman in consultation with the manager will be in a position to estimate the operation and maintenance requirements for the coming year. Additional transportation equipment, salary increases, and additional maintenance material over and above that used during the previous year should also be taken under consideration as well as other extra-routine requirements. It may be well in the operations budget to itemize these expenses separately, gathering the totals into the caption item which will appear in the general budget.

Apart from the actual preparation of the budget, you should impress upon the cooperative manager the use of the budget. A budget is a planned program for a given period which should be approved by the cooperative board. Once it has been approved by the board and by REA, a manager should proceed with confidence so long as he operates within the confines of the budget estimates. For this reason, reference should be made to the budget when any sizeable expense is contemplated and a comparison should be made between the budget estimates and actual operating data at the end of each month during the budget period.

3. Dependability of Service - Outages - Voltage Regulation, etc.

You should discuss with the cooperative manager the record of outages and complaints. In cases where no records are available, the manager should be urged to establish such a record immediately.

A chart may be used in the form of a key map mounted on the wall on which locations of causes of interruptions may be spotted with different colored pins identifying different causes for the interruption. These charts will make it possible to easily determine repetition of failures in the same locality, failures of the same type of equipment, failures caused by the same difficulty such as trees, birds, wind, lightning, or shooting of insulators, etc. Where excessive outages are being caused by design or equipment weaknesses, the problem should be referred to the Engineering Division of REA for corrective suggestions. Where tree growth or deferred maintenance is causing excessive outages, consideration should be given to a catch-up program. Here again a key map may be used, showing sections of line through wooded areas indicated in a coded manner. As clearing is done on these sections the fact can be recorded on the map showing when that work was done. This might be expanded to indicate any or all types of maintenance work.

You should encourage the manager to be constantly running checks on voltage regulation and phase balance. Any problems indicated on these engineering and technical matters should be referred to the Engineering Division.

4. Promptness in Restoration of Service

You should discuss with the cooperative manager an educational program regarding promptness in restoration of service. The importance of continuity of service should be brought forcibly and continually to the attention of every employee of the cooperative. The type of load predominant in different cooperatives and in different sections of the same cooperative warrant special note. The cost to the consumer of a service interruption, though of a short duration, may be appreciable, and when the interruption is prolonged beyond a necessary length of time, this cost may be considerable. A study should be prepared showing an estimate of these costs in individual cases and these studies should be made the subject of internal discussions. Added to these costs are the loss of revenues to the cooperative due to service interruptions. This work should not cease until every employee is outage conscious. This work should be followed closely by the field representative.

The careful examination of operating procedure may show up ways of bettering methods of locating maintenance men and more efficient methods of dispatching men for storm relief. The manager should be urged to hold regular sessions with his men, studying the sectionalizing map to the end that each man may know the location of the devices back toward the source from any location reporting outage. Each man should have and should be required to keep in his possession at all times an up-to-date copy of the sectionalizing map.

5. Promptness in Making New Service Connections

You should review with the manager the cooperative's policy on the making of new service connections. When these connections cannot be made promptly, there should be established a policy basing the order of connection as nearly as possible according to the order of the dates of applications. This procedure will have to be flexible so that a consumer who can be connected to a transformer already installed would not be required to wait in line with a consumer whose service is being deferred until such time as a transformer can be procured. The more distinct and better publicized the cooperative's policy on new service connections, the less the number and seriousness of complaints

of partial treatment. You should urge the manager, and if necessary the cooperative's board, to establish and publicize a sound policy of order of new service connections. Some of the cooperatives have prepared a bulletin board on which the names of all signed consumers are posted, giving the date on which service was requested. These may be grouped as they appear on different extensions. Signed consumers can then determine for themselves their position on the schedule of service connections.

6. Condition of Properties

- a. Maintenance
- b. Replacements
- c. Line Loss

You should be observant of the physical upkeep of the system. The first requisite of this program must be some regular patrolling or inspection activity. You should assist the manager in establishing some procedure for accomplishing this purpose. By far the greatest percentage of this work may be accomplished by the concerted effort of all the outside staff in their regular line of duty. At all times - in answering trouble calls, in riding to and from new construction sites - they should be watching existing lines for leaning poles, slack conductors, pulled anchors, tree interference, dead trees, and other hazards. Some procedure should be established for recording of these items indicating needed maintenance.

As a guide to supplement this activity, the interruption record should be closely analyzed to determine types of failures that may require a special inspection program.

As may be indicated in these interruption reports, a program of ground tests may be required. The manager should be urged to watch closely the adequacy of grounds. When it appears that grounding is inadequate, and because of poor soil conditions special grounding is required, the Engineering Division should be consulted for advice and assistance.

As time goes on, pole inspection will be essential to determine replacement requirements. Requirements for hardware tightening and tie-wire tightening will be made obvious, usually in excessive radio interference complaints. These may be minimized by employees who have car radios being observant for such interferences.

When unaccounted for energy appears excessive, you should review with the manager all possible reasons for the excess. Inadequate tree clearance is the most common correctable cause of excess losses. This difficulty will usually parallel excessive radio noise complaints. Improper transformer sizes should be examined. There may be cases of 3-kva transformers, for example, carrying only a fraction of their ratings, thereby running up core losses to an unnecessary amount. A program of relocation of transformers in order that the sizes may more nearly approach load requirements, may be warranted. This program should be carefully analyzed as costs of making the changes, an operating expense, may more than eat up the cost of the losses saved. Usually this cause of excess loss will minimize itself as individual consumer load increases. A sudden jump in losses may be caused by a change in meter reading dates. It may be that low estimates of consumption on estimated bills, where the number of these estimates is high, is causing a small amount of the excess. In some instances the source meter should be checked.

You should discuss these programs regularly with the manager and should urge him to become upkeep conscious. As engineering memoranda come out covering this subject, you should thoroughly familiarize yourself with them and be in a position to point out these references to the manager. Any particular problems arising that are not covered by memoranda should be referred to the Engineering Division for attention.

7. Adequacy of Normal Inventory of Material and Supplies

You should review with the cooperative manager the normal inventory of material and supplies and his method of determining the proper quantities of each item necessary for safe operation. Operations Memorandum No. 17-1, Stock of Maintenance Materials and Normal Inventory, may be used as a guide. Each cooperative will have special problems and the adjustment of this guide to these problems is the manager's responsibility, with guidance from you. The mileage of the cooperative's physical system, its age, its terrain, and whether it is subject to extreme storms such as hurricanes or heavy ice, will govern the inventory necessary for maintenance purposes.

You should review with the manager the experiences of the past few years of operation and should assist him in forecasting the future as it would be affected by the various items of the inventory.

8. Storage and Arrangement of Inventory and Supplies

a. Suitability of Storage Space

b. Orderly Arrangement and Identification in Storage Space

You should determine by discussion with the manager and interested personnel and by actual inspection the suitability of storage space for the materials belonging to the cooperative. This should include warehouses, pole yards, and any other facilities used for storing the cooperative's materials. Particular attention should be paid to the adequacy of the warehousing and the pole yard. The accessibility to the cooperative's headquarters and to roadways radiating into the territory served should be factors to be considered. Consideration should also be given to fire and water hazards and any other elements that would impair the safety of the materials.

By inspection, you should determine if the arrangement of materials is orderly and if the identification of the materials is clear. Materials should be binned or stacked in an orderly manner and not so close together as to interfere with easy handling or the taking of physical inventories. The arrangement of the materials should be such as to facilitate loading on or unloading from trucks. Care should be used in not storing heavy materials in inaccessible places, where moving of these materials might cause serious accidents. Good housekeeping is essential. Rubbish and junk should be removed from the warehouses and should not be allowed to accumulate around the pole yard. Besides being unsightly and in the way, rubbish and junk constitute a serious fire hazard. Pole yards should be kept free from tall grass and weeds, which cause a serious fire hazard when dead.

9. Adequacy of Maintenance Equipment and Apparatus - Trucks, etc.

Maintenance and operating equipment and apparatus such as trucks, trailers, tools, repair goods, instruments, etc., should be reviewed frequently.

You should urge the manager to adopt and check a program of regular maintenance of tools and work equipment.

The requirements of the cooperative should be studied and it should be determined if operation would be more efficient with additional equipment. When such is the case and the cooperative is in such financial condition as to be able to afford additional equipment or replacement of old, recommendations to that effect should be made. The type of equipment, such as size of trucks

for the particular job to be done, should be studied to determine if full use is being made of equipment and if it is used in the most economical manner.

10. Adequacy of Planning, Lay-Out, and Routing of Jobs

You should, by discussion with the cooperative manager and by observation of activity among the employees, determine the apparent efficiency with which the organization functions with respect to preparation of plans and programs and the efficiency with which those programs and plans are carried out.

An example of good planning is the systematic dispatching of crews made possible by the assembly of materials and loading of line trucks the night before in preparation for the day's work. This preliminary detail and others such as advance staking where required, provision for staking extensions of two or three poles by the line foreman when the job is started, adequate and understandable instructions being in hands of foreman, grouping of extensions in the same locality - all these are ways by which a manager can be assured that his work has been planned for maximum efficiency.

You should consult with the manager on ways and means of improving such execution to the point where each person knows sufficiently in advance of such plans that there is a minimum of lost motion and time.

Each job should be so scheduled that all necessary preliminary preparations can be completed in advance; materials should be assembled, equipment should be available and adequate, and the procedure or instructions for the job should be clearly presented.

11. Adequacy of Labor and Materials Reports for Records

You should determine by consultation with the cooperative manager and other employees that the labor and materials reports are so prepared that they are adequate for use of other employees in preparation of such items as work orders, payrolls, expenditure reports, progress reports, monthly financial and statistical reports, etc. These reports should be reviewed with the manager to ascertain that the information contained therein is based on accurate data and is in usable form and that the reports have been prepared in an adequate and efficient manner.

This Section should be studied in conjunction with Group V.

V. COOPERATIVE'S OFFICE MANAGEMENT

To be of constructive help to the manager when you discuss with him this phase of management, you will need to make a general review of the cooperative's office procedures and methods to determine whether necessary work is being performed and whether the cost of the work is in line with costs for comparable performance experienced by similar cooperatives, or the standard used by REA.

If these comparisons indicate that office procedure is adequate and costs are reasonable, nothing further should be done by you unless the manager requests a more detailed discussion. On the other hand, if the cooperative's procedure is inadequate and costs are out of line with accepted standards, you will be in a position to help the manager make a detailed analysis of his office management problem that will bring out the specific weaknesses that need correcting. Considerable care should be taken to avoid comment regarding the competence and qualifications of individual employees of the cooperative, or to appear to be investigating the cooperative's staff.

Some of the causes of poor work performance and high costs of office operation are:

1. Poorly designed procedures
2. Improperly assigned personnel
3. Personnel inadequately instructed or trained
4. Inadequate office equipment

While the remedies for each problem will be dependent upon the facts found in the particular situation, the following is suggestive of the approach to be used in working out proper solutions.

1. Courtesy in Contacts with Members and the Public

Bear in mind that this is a cooperative business; it is owned by its members; its sole reason for existence is to provide them with electric service.

As a focal point of all cooperative activities, the office is the meeting point between members and employees and the point of contact between the cooperative and the public. This being the case, it must be regarded as the embodiment of the cooperative itself by which the enterprise will be judged both by its members and others. It is therefore essential that the attitude of all employees and the general atmosphere of the office reflect the friendly cooperative nature of the business.

Prospective members visiting the office for the first time will form lasting impressions of the cooperative from the type of welcome they receive and the manner in which they are treated while transacting their business. Healthy cooperative functioning begins with this first contact. More than likely the visitor enters the office with some feeling of uncertainty. If he is put at ease immediately and made to feel that he is being welcomed by a group that is truly representative of his neighbors and friends, he will leave with the feeling that he has become a member and a part owner of a worth-while cooperative enterprise in which he has a direct personal interest.

This is equally true with reference to contacts with all members at all times, regardless of the nature of the business that brings them to the cooperative office. They must be made to feel at home and their status as owners of the business recognized in an informal, friendly manner that will stimulate their pride of ownership and encourage them to take an active interest in the cooperative's affairs.

General public relations must be on a comparable basis. Even more than the members, other visitors will form their opinions of the cooperative from their office contacts. They must be made to feel that the cooperative office is their point of contact with the thousands of neighboring rural people and the hundreds of miles of rural lines it represents: that the cooperative is a friendly, home-owned private business enterprise with the same ties to local pride and community interests as theirs. Frank and friendly public relations lead to a better understanding of the cooperative's real character, the service it performs for the rural people in the area it serves and the benefits it brings to both rural and townspeople through greater production and increased business volume.

2. Adequacy of Office Staff - Skills or Ability

a. Trained in Job - Personnel who have been properly trained in their job requirements are an asset to a cooperative in several ways. For one thing, they get more acceptable work

out and for another they are happier in their work. An office which requires good work and recognizes it when it is done is a happy outfit. The unhappy employee is often one who either does not know the job or does know it and realizes that no one else takes any interest in his or her outstanding accomplishments. Therefore it follows that the manager should recognize good work and express his appreciation for it. He should also be alert to the need for within-job training and should inspire interest in his employees so that they will want to help other employees as well as to learn other functions of the cooperative themselves in order that they may be able to do better work in their present positions and be qualified for better jobs when openings occur.

All factors influencing the work of employees must be studied by the manager in his evaluation of work performance. For example, the work of the office may be haphazard or unsatisfactory as a result of poor supervision by the office manager rather than inability and inattention to duty by the employees. Therefore, in the manager's consideration of this position, supervisory ability must be taken into account in rating the employee.

b. Organization Chart Use in Measuring Employee Competence -

The preparation of an organization chart and its use have been discussed under Group II, and under this category the actual application within the cooperative setup of the organization chart should be checked by the manager. When the organization chart is prepared, consideration is given to the volume of work which the cooperative will have to perform and the various positions are then set up on the chart, after which the job descriptions are written up.

In studying the personnel of any organization, personalities must be taken into consideration, together with other qualifications, so that the greatest efficiency may be obtained through ensuring

1. An employee who is interested and has an aptitude for the work assigned, or the position occupied,
2. An employee with proper qualifications,
3. An employee physically able to perform the functions of the position.

Frequently it has been found that reassignment of duties within an office will increase the volume of work produced and, at the same time, will improve the morale and the interest of the particular employees in the work which they are doing. It is

important that an employee be contented, satisfied, and interested in the work which he is doing, or the organization will be faced with a turnover of employees which is, in the long run, expensive and conducive to poor production.

The above discussion of this particular problem is not conclusive and ordinarily the study which you may be called upon to make will not be final, but in exceptional cases, where the misassignment of personnel is very obvious, you will be in a position to recommend changes which will benefit the organization. However, this discussion should give you enough background of the problem involved so that you can, working with the manager, study the organization chart, job descriptions, and the personnel who have been assigned to the various positions and give him grounding in the fundamentals of the use and purpose of his organization chart.

3. Adequacy and Arrangement of Office and Office Equipment

Adequacy of the office must be considered from two angles. First, it must provide the facilities that will make it a good workshop and, second, it must provide facilities for the comfort and convenience of members and other visitors.

a. Arrangement and Layout - From the workshop standpoint the basic requirements of an office are that it must provide necessary space, adequate heat and ventilation and good lighting for each employee.

The space should be designed so that the employees may be strategically placed to expedite the flow of work. For example, the manager should have an office which provides a place for conferences without disturbing other employees, but, at the same time, is so placed that the manager may be accessible to both the members who visit the office and the other employees of the cooperative.

The bookkeeper, on the same basis, should have an office providing ample space for work on the general books of the cooperative and providing freedom from interruption, but, at the same time, the office should be so located that other employees in the office may be supervised and instructed by the bookkeeper.

Other employees should be so placed that they may carry on the functions assigned to them without interruption and in such a manner that the work of the cooperative may be expedited.

An example of this would be the placing of the cashier at the front of the office and away from other employees so that members coming in for the purpose of paying their bills may transact their business conveniently and without interrupting the other work of the office.

The general offices and lobby of a cooperative headquarters should provide comfortable working conditions in all seasons. This would include adequate heat in the winter and cooling where necessary in the summer, and an adequate flow of fresh air at all times.

Adequate natural light should be a part of the planning when the building is designed, remodeled, or arranged. Continued working without adequate light produces fatigue, decreases efficiency, and tends to dissatisfy employees. Therefore, a careful study of the office arrangement should be made in the event that natural light is not available during most of the working hours, and rearrangement made if improvements are possible.

From the standpoint of accommodations for members and other visitors, all cooperatives should provide facilities for the convenience and comfort of persons who come into the office, especially those who may have to wait for some time before they can see the manager or the person they will have to contact in the transaction of their business. The extent to which this is done necessarily depends upon the awareness of the cooperative board or the manager to the value of such facilities and the availability of space needed to provide them. When possible, a well lighted and roomy office lobby is desirable. When this is impracticable, as much space as can be spared should be set aside for this purpose.

Fittings may include comfortable chairs or settees, a table or tables supplied with reading matter that will interest callers - including informative matter about cooperatives and how they function - facilities for the convenience of members in writing checks, etc., and, where practicable, restroom facilities at least for the ladies.

b. Office Equipment - Office equipment is important and must be carefully selected and suited to the work to be accomplished. There must be enough typewriters, enough adding and calculating machines so that employees do not waste time borrowing a machine. There must be suitable desk space and comfortable chairs for each employee and there should be uniformity so that the office presents a planned appearance. Typewriters should have elite type to

fit government forms, adding machines should have enough capacity for current and future needs, and calculators should fit the needs of the jobs to be done. They should all be available when needed.

To expedite billing and collecting and form letters it may be, and to most borrowers it is, necessary that they have addressographs, mimeographs, etc. The cooperative may need and plan on adding a posting machine for billing and for posting subsidiary records. Your report should consider the need for additional equipment and give details as to the intention of the borrower to add such equipment. Purchase of such equipment must be approved and full information as to the need and the kind should be contained in your report so that such approval can be intelligently arrived at.

For your information, cost studies indicate that a cooperative with less than 2,000 members cannot usually afford to purchase a posting machine. These machines will cost approximately \$3,000.00 and will be set up for the requirements of an REA office. Their work capacity includes direct posting of the billing, the accounts receivable ledger, the material and supplied subsidiary ledgers, and they are also adaptable for posting the records where a cooperative uses self-billing. Therefore, discussion of the possible use of a posting machine with any cooperative will be contingent upon their financial condition and the economic advantage of owning and operating such a machine.

4. Promptness and General Accuracy of Accounting Postings

Advice to the cooperatives on accounting matters is the responsibility of the Finance Division. Management Division field representatives should in no case advise the manager or the bookkeeper on accounting entries or accounting adjustments to be made in the records. However, in order to assist the Finance Division in its audit work and to emphasize to the cooperatives the importance of keeping account records adequate and up to date, the following checks should be made by you when called upon to discuss this phase of cooperative management with the manager. In the event that you find the cooperative in need of accounting assistance and advice, every effort should be made to bring this to the attention of the Finance Division representative in order that proper and consistent accounting advice may be given to the cooperative.

For your own information, the following brief discussion is given of the nature of control and subsidiary accounts.

a. Are all subsidiary accounts such as bank, material, accounts receivable, etc., reconciled with the general ledger monthly? Does the manager know it? - In your work you should not reconcile any of the subsidiary records, but you should determine that the bookkeeper is reconciling them each month and that they are actually in balance. And the manager should make a point of knowing that his bookkeeper is keeping such accounts in balance. The manager can check this by referring to the reconciliation. For example, in the case of bank balances it usually is made up on the last statement or is attached to it; in the case of accounts receivable it would be an adding machine tape.

Sources of Information

1. Bank statements or bank reconciliations
2. Adding machine tapes on various subsidiaries
3. Balance in general ledger control accounts

For convenience in posting and for the purpose of internal control, the accounts in the general ledger covering such items as cash, materials and accounts receivable are known as "control accounts" and summaries only are posted to them. The details of such accounts are carried in subsidiary ledgers. These ledgers may be bound sheets in a book, they may be loose cards, or they may be attached cards in a "visible" record system, but irrespective of the shape, the total of the balances of any subsidiary ledger must equal the balances of the corresponding "control" account in the general ledger. The internal control is best secured by having the subsidiary ledgers posted by an employee other than the bookkeeper, who in turn will personally post the general ledger. Such internal control is desirable but is not obtainable in small offices with but one or two employees.

The control accounts are posted with summaries prepared at the end of the month as in the case of material charged out of store during a month or from the totals of the cash and check registers in the case of cash receipts and disbursements. In all cases the separate items are posted to the subsidiary record and at the end of the month a total of all existing balances should be run and compared with the balance in the general ledger control account.

The following items should be reconciled by cooperative personnel:

1. Bank Accounts - reconcile the general ledger control with bank statement.
2. Accounts Receivable - reconcile all 125 series accounts with their respective subsidiaries.
3. Notes Receivable - reconcile balance in accounts in the 124 series with the applicable subsidiary.
4. Material inventories - reconcile balance of stock cards with balance in 131.1 Materials and Supplies - Electric and 131.2 Materials and Supplies - Resale.
5. Membership Records - should be reconciled with balances in accounts 200.1 Memberships Issued and 200.2 Memberships Subscribed but Unissued.
6. Accounts Payable - reconcile balances in the 222 series with the subsidiary records.
7. Work in Progress - Work Orders. For details on this item see the discussion under Item 7 (b) "Reconciling Work in Progress, Account 100.32, page 60.

If they are not, you should determine by discussion with the manager whether or not the Finance Division has supplied necessary instructions to the cooperative concerning the mechanics of reconciling accounts. If such instructions have been supplied and the accounts have still not been reconciled, you should inform the manager that it is his responsibility to see that the work is properly done and you should submit a full report to your regional head supplying him with all the facts.

b. Do the reports from the line foreman, the material clerk, the work order clerk, etc., reach the bookkeeper at the proper time and in usable form? The reports from the line foreman should include reports on setting meters or transformers, construction, retirement or maintenance work accomplished by himself and crew, together with hours of work and miles of transportation. This may be turned over to the stores clerk or to the work order clerk before it reaches the bookkeeper but it definitely must reach the bookkeeper promptly and in an established routine so that she will have the necessary information when payrolls are made up or transportation expenses cleared.

Reports from the stores clerk should give the bookkeeper full information as to material taken out of the warehouse and of

material returned to the warehouse. In the case of retired material returned to the warehouse the bookkeeper should be furnished with a list of the material, its value and the number of the retirement work order. This report should be furnished when the material is placed in stock, not when the work order is made up. The reports on material used should be summarized by the stores clerk so that at the end of the month the bookkeeper will have the total material used and its value so charged that she can credit material for the total and debit construction, maintenance, or operations for the balances used under each function. Incoming material will usually be covered on invoices and these invoices must be routed so that they are checked in and returned to the bookkeeper in time to take any cash discounts which may be allowed.

In addition to the above reports, which the bookkeeper must have promptly if the proper controls are maintained within the books, the bookkeeper must also receive the summary of all billings for energy or material sold. Only the office manager must be given authority to approve journal entries adjusting accounts so that such adjustments will not be made without his knowledge, thus throwing the books off balance.

Sources of Information

1. Time Reports. (Daily Work Report - Form CO-104, and Employees' Semi-Monthly Time Sheet - Form CO-105. Reference - Manual of Work Order Procedure.)
 2. Transportation Reports (Summary and Distribution of Transportation Costs - Form CO-106. Reference - Manual of Work Order Procedure.)
 3. Material Charge-out Tickets and Summaries. (Stock Record Card, Material - Job Charge Ticket, Material - Job Credit Ticket, Summary of Material Items Used and Retired, and Material Summary and Distribution to Accounts. Reference - Manual of Work Order Procedure.)
 4. Invoices to determine whether checked for extensions and receipt of goods and discount taken.
 5. Observation of handling of current work by lineman, stores clerk, work order clerk, and bookkeeper.
- c. Is the bookkeeper given responsibility and authority to do the job? Is the bookkeeper in charge of the office? It is

important to know whether or not the bookkeeper is being informed of all commitments of the cooperative such as material contracts, purchase orders, etc. It is recommended that the bookkeeper keep a complete accounting record of all purchase orders.

If a cooperative is comparatively small, with a closely knit organization, the manager can be and often is his own office manager, and is able to supervise and train all office employees. However, most REA cooperatives have attained such size that it is inefficient and unsatisfactory for the manager to attempt to attend to the details of office manager. This is especially true during periods when the manager is required to devote his attention to new construction, integration of his electric lines, and to planning to overcome or to meet spite line construction. In all borrowers' offices the problem will be: (1) is the manager retaining control of all details within his office and thereby lessening the efficient operation of his personnel; or (2) is he giving authority to the bookkeeper or other employee (possibly an office or assistant manager) to supervise office employees. In the latter case, is the manager taking it for granted that the office or assistant manager is properly carrying out this delegation of authority or is he checking back to ensure good performance.

If the manager holds all authority himself, but is not available for decision when needed, or if he delegates authority but is not careful to observe the results of such delegated authority, the work of the office will suffer and the results can be serious.

When called upon to consider this phase of management, it is to your interest to study and to learn whether or not the present working arrangement is satisfactory. For example, if no one is delegated to speak for the manager when members call at the office and the manager has not set up a schedule so that it can be known when he will be at the office for such meetings, he is essentially failing one of his functions. If no one in the office can delegate work and the manager is out a great deal, the work of the borrower will suffer and the employees will be dissatisfied. Some one must be able to evaluate the work of all employees, keep them busy, and to know that they are producing a satisfactory volume of work. If not, the producing volume of all employees tends to drop.

Sources of Information

There is no definite place to look for the answer except to watch and listen to the routine handling

of office affairs. Your study of the office setup to this point should have given you a basic knowledge of conditions which will enable you to answer this phase and to resolve the problem.

d. Are all postings to subsidiary ledgers proved daily? - You should merely make inquiry on this matter for your own information in determining whether or not the work is being done, keeping in mind that the responsibility for advising the cooperatives on accounting matters rests with the Finance Division.

The subsidiary ledgers are principally the accounts receivable and the perpetual inventory records. Any time that postings are made to a subsidiary ledger the individual postings should be immediately proved by taking an adding machine tape of the new postings. The total should agree with the amount entered in the control account. There is no substitute for accuracy and the proof of daily postings is the only possible guarantee that the accounts can be balanced at the end of the month.

Sources of Information

Proofs of posting and verification of the fact that such proofs are taken during your visit.

5. Adequacy of Billings and Collections

a. What system is used to bill, collect and record sales? Is it working? If self-reading or self-billing, when were meters last read? - There are at present several procedures in effect for meter reading, billing and collecting. The procedure in use should be studied to assure that proper controls are maintained. Where the members read their own meters there should be a procedure set up for periodic reading of meters by system personnel. Is there such a procedure prescribed and is it followed? When did they last read all the meters? Where the members compute their own bills there should be a definite plan for handling these bills in the system office so that those members not submitting bills will be contacted. There should be a definite cycle of actions which are consistently followed so that delinquent accounts will not become excessive due to lack of proper control in the system office.

In reviewing the billing and collecting procedure of the cooperative, attention should be given to any special rates or metering plans which may be in effect. Frequently

cooperatives are found to have overlooked such special rates or to have erroneously interpreted them, with resulting loss in income or inequalities in the rate structure as applied. This should be uncovered when you make a study of the actual rate schedules in effect and the billing which the cooperative sets up in applying these schedules.

Sources of Information

1. Accounts receivable subsidiary ledger
2. General ledger accounts in the 125 series
3. Office procedure for meter reading, billing and collecting
4. Meter Reading, Billing and Collecting Procedure - Operations Memorandum No. 5-1

The accounts receivable form the channel through which flows the receipts which is the life blood of each borrower. Complete control of receipts through the accurate use of the accounts receivable accounts cannot be over-emphasized. Checks should be made by the system to assure that there is an individual accounts receivable record set up for every meter installed. This can be done by a monthly verification of the number of meters installed, as per meter cards, against the number of consumers billed as per the individual accounts receivable - consumer records. Is this done? An adequate follow-up system for delinquent accounts is of prime importance. If the manager does not have one functioning he should be urged to do so without delay. For details on how this can be done refer to Operations Memorandum 5-1.

b. Amounts of delinquent accounts (consumer and other), age, and probable disposition. Is reserve for delinquent accounts adequate? - You should not place emphasis on this point in your contacts with any cooperative unless you have been instructed to do so by your Regional Head. In that event, the following is for your guidance. Instructions and specific information for the aging of accounts is contained in Operations Memorandum No. 5-3, Aging of Accounts Receivable-Delinquent. The trend of the total delinquencies should be noted and, if they are increasing, the reason therefor should be ascertained by you and reported. These monthly summaries should show separately those accounts known to be uncollectible and the reason therefor. This total should be compared with the balance in the Reserve for Uncollectible Accounts to

assure that the Reserve is sufficient to cover all uncollectible accounts without becoming excessive. If adjustments to the reserve are necessary, they should be made by increasing or decreasing the rate applied to set up the reserve.

6. Adequacy of Handling and Deposits of Cash

Control of cash is necessary and there are definite rules set up by REA to cover the standard procedure to be followed by all REA cooperatives.

a. Cash should be deposited daily.

b. When cash is deposited daily, the daily cash summary, the duplicate deposit slip, and the entry in the cash book for that date will be in the same amount.

c. For internal control and to prevent errors, the deposit should be made up by the cashier and verified by the bookkeeper or the manager before the deposit is taken to the bank. It is advisable to check on the responsibility for cash as it is not good control and divides responsibility where more than one employee has access to the cash drawer. In a well-managed office one employee only will accept payment and make change from each cash drawer and this employee will be checked out at the close of business each day. In this way there may be as many employees as necessary accepting payment, but each employee will have her own cash and be individually responsible for the cash she actually handles.

d. When a cooperative is working up a new section and accepting new membership fees, the collections should go through the books and be deposited promptly, exactly as cash collections received from any other source. It has been found that some cooperatives consider these funds as not belonging to the cooperative until such time as service is actually rendered. This is fallacious thinking as the cooperative, in accepting these membership fees, has assumed responsibility for the funds and the only adequate protection for such funds is to set them up in the books and to deposit them. A special account at the bank may be used if the cooperative desires to do so, but definitely the collections must be recorded in the books and deposited. Holding such cash or checks in the office safe or file until the line is allocated is not proper control as all cash or checks are to be deposited the day received. If refunds are necessary, they may be made by checks and such transactions will then be of record and may be audited.

7. Promptness, Completeness, and Accuracy of Work Orders

a. Prepared Monthly: Do they use new procedure and forms? - The work in relation to this procedure should be checked and

any important deviations from established procedure should be commented on and any major objection to the procedure from the system should be considered and reported. In reviewing we are not concerned with correcting errors in execution but rather in the method. If your check reveals that the system is making errors through improper or incorrect procedures, it should be called to the attention of the manager so that he may have corrections made. Such errors should also be noted in your report and should be given consideration in relation to the system's need for an audit. Your analysis of the work order procedure as carried on in the office will be deep enough and detailed enough so that you will be able to make comprehensive suggestions for improvement - but you are not, and should not attempt, to locate and correct erroneous entries.

If the system is using the revised procedure, the completeness and application of the controls and forms set up should be checked. For example, is the system setting up average costs correctly as outlined in the work order manual and are they maintaining the recommended records? Are costs of insurance, taxes and transportation, applicable to work orders, set up under work in progress accounts? Are such costs paid from general funds and properly reimbursed?

If the system is behind in work order preparation, one indication of this fact will be an unusually large balance in Account 100.32, Construction Work in Progress - Force Account, this should be noted and an effort made to secure the manager's cooperation in setting up office procedure that will get the work orders out. It may be that a warehouse or work order clerk is necessary. If material has not been charged to work order construction as used and the system depends on the preparation and summary of final work orders to secure the information for charging material out of Account 131.1, Materials and Supplies - Electric, and to Account 100.32, Construction Work in Progress - Force Account, this should be corrected.

If you find that the balance of completed but unapproved work orders in Account 100.6, Unclassified Electric Plant in Service, has been accumulated over a long period, you should determine the cause for this condition and recommend correction in your report. Such an increase in the balance of the account may result from the fact that work orders have been forwarded to REA and have not been processed and returned. In this case, on receipt of your report we will investigate the cause of

delay within REA. It may be found also that the increased balance is due to the negligence of the system in not spreading approved work orders to the plant accounts. Where this condition exists you should stress the fact that such approved work orders should hereafter be entered as they are returned by REA. You should not attempt to give the cooperative accounting instructions on these matters. If they need assistance you should refer them to the Finance Division.

If the system has not installed the complete revised work order procedure, you should analyze their difficulty and show in your report what has been done to explain to them the use of the revised procedure. In all cases it is desirable that this revised procedure be used as it will facilitate the approval of work orders, the advance of funds, and the internal control of materials by the system.

Ultimately all cooperatives will establish plant accounting and you should be informed of the purpose of plant unit records, which is to provide:

1. A means of identifying the amounts carried in plant accounts with physical property. This is important as plant generally constitutes from 80 percent to 90 percent of the assets of an electric distribution system.
2. An accurate and convenient source of data required for pricing retirements of plant.
3. Essential information for determining the adequacy of depreciation provisions.
4. Accurate data for managerial and operating uses such as estimating costs of proposed plant additions.

For further and detailed instructions for setting up and maintaining plant records you are referred to Plant Accounting Procedures for Organization Distributing Electric Power, issued by the Finance Division as of July 1, 1943.

Sources of Information

1. Work Order Procedure Manual
2. Work Orders prepared by the system
3. Supporting papers - described in Work Order Procedure Manual

4. Material records and general ledger

5. Plant Accounting Procedures

b. Reconciling Work in Progress (Account 100.32) - If the cooperative is using the revised work order procedure which is effective September 30, 1945, the cooperative will be able to reconcile, at the end of each month, actual work performed with the general ledger control account. This is as important to management control as is the reconciliation of cash or accounts receivable and its use in preventing errors and in establishing control should be emphasized.

To prove the work in progress, force account (Account 100.32) at the end of the month the total of all individual work order cost sheets (Form 98 - Sample No. 8 in the Work Order Procedure Manual) is taken and compared with the balance of Account 100.32. If they do not agree there have been improper entries made either to the control account or the work sheets or through error complete posting has not been made. The monthly entries should be rechecked by the cooperative personnel to verify the fact that all charges to Account 100.32 have been correctly spread to the individual work sheets.

It will be found that some systems are using the revised work order procedure but are unable to clear the control account monthly or to reconcile it because of old construction work balances which have not been cleared through the preparation of work orders. These old balances are not under the present controlled procedure and can only be cleared by the preparation of the work orders or the charging off or adjustment of the balances where this cannot be done. The latter is an accounting determination although a charge-off will affect management and the condition is the result of poor management. However, our interest and attention should be directed to getting all work orders prepared where this condition exists and, when this is done, we can make a joint recommendation with the Finance Division of the disposition of any remaining unaccounted for balances.

Sources of Information

Manual of Work Order Procedure

8. Promptness, Completeness, and Accuracy of Monthly Reports, Operating Reports - Are they current? Properly and completely prepared? Statistics accurate? New construction reflected in the report?

The operating report, which is submitted monthly by each system, is our best source of factual information on the progress of the system and the efficiency of the management. Therefore, it should be submitted promptly, the balance sheet and revenue statement of operations should be accurate, and the statistics included with the report complete. When it is found that a system is delinquent in submitting reports, you should see that they are brought to a current status and that they will be submitted monthly thereafter. It should be unnecessary to point out that unless these reports are correct when prepared, the decisions and actions taken by the cooperative, the manager, and the board, as a result of reviewing these reports, will result in faulty conclusions, and, in fact, may result in decisions which are definitely detrimental to the future of the system.

9. General Accuracy of Inventory Records

a. Materials charged in and out of warehouse. Perpetual Inventory records maintained and reconciled monthly with general ledger control Account 131.1, Materials and Supplies - Electric - In your review of this phase of the work it is important to show the exact status of the present procedure and the type of equipment in use. Under the revised work order procedure, material records are required; but under any system of management, the control of an investment, such as the borrowers have in materials, is mandatory. Generally, a warehouse man is needed but on some systems the work order clerk and the warehouse clerk may be the same person. This will depend on conditions of management, warehouse facilities, and the size of the construction program under force account or by work orders. What is the date of the last physical inventory? Over or under?

When it is found that the warehouse records have not been properly kept and the subsidiary records of the materials and supplies perpetual inventory are not kept currently posted, you should consider the advisability of recommending the use of a posting machine for this operation. In other words, the consideration as to whether or not the cooperative can afford and has economic need for such a machine will be determined by considering the needs for such a machine in the billing and collecting department and the advantages which would accrue in this department if the material and supplies records were properly kept.

b. Are general funds used to buy construction material? Why? How much? - If general funds are used to purchase

materials for construction, this should be noted with comments as to the approximate amount, the reason therefor, and the ultimate plan as to the securing of special construction funds to reimburse these purchases. Are they dangerously low on operating funds as a result? If all materials are purchased from special construction funds, is reimbursement made from general funds for materials used in maintenance and operation?

c. Does cooperative habitually sell construction materials? - Self-explanatory, but your comments should show whether such sales are approved or require approval from REA and why such sales are necessary. It is important that you report as to the disposition of funds received from such sales. If sales have been approved, were funds deposited or disbursed according to the terms of the approval?

d. Merchandising - In the event that merchandising is one of the cooperative's activities, it is important to determine that returns are equal to or in excess of the costs. You should encourage the cooperative to maintain accounts as advised by the Finance Division in order that the costs of merchandise be fully reflected in the accounts and the merchandising effort be kept on a self-sustaining basis.

10 Arrangements for Display of Supplies and Appliances When Not Engaged in Merchandising

You should encourage each cooperative to develop a power use program in order that the members may receive the maximum benefits from their use of electricity. You should advise the cooperatives that the Applications and Loans Division has power use specialists to assist them in developing a power use program and, when instructed to do so by your Regional Head, you should urge the employment of an electrification adviser to assist the cooperative's manager with this program. One aspect of power use development is display of equipment and appliances.

When the cooperative does not engage in merchandising, it should nevertheless arrange with local dealers for a display of equipment and appliances in their own lobby so that their members may have the opportunity of actually seeing the latest in electrical goods. Depending on space, the cooperative should arrange to have some merchandise from each dealer in the territory or, if space is restricted, arrangements should be made to show the equipment of one dealer at a time but on regular schedule so that each dealer will receive his proportionate time. It is suggested, in any case, that the equipment shown be varied and as seasonal as possible.

The cooperative should have a display of wiring supplies arranged on a panel in the lobby. A high percentage of members will be using electricity for the first time and it is important that they be given information on an adequate wiring job and arrangement of outlets for maximum use.

An effort should be made to have on display equipment for farm use. Household appliances are readily available for both display and purchase, but oftentimes members only means of seeing the farm-use equipment is at the cooperative office. Consequently, if this equipment is not shown by the cooperatives, members order from a mail order catalog without proper information.

Equipment displayed should show the following information:

1. Name of dealer.
2. Price.
3. Adequate description of size, power, model, etc., of each item.
4. Terms, if any. If cooperative finances such sales, the members should be so informed.

11. Budgeting General Office Salaries and Expenses

In the preparation of an operations budget, management must plan and set a definite goal, based upon past experience and with foresight of anticipated conditions. This involves formulating a financial plan, the setting up of procedure to get the plan into operation, devising methods for its execution, and checking on the results obtained. Generally speaking, it is advisable to plan an annual budget with an eye towards the ultimate area coverage.

In order to arrive at the expense requirements applying to the actual work load for the coming year, a better control and more accurate figures will be obtained if they are broken down on a functional basis, such as (a) Cost of Purchased Power, (b) Maintenance Expense, (c) Operation Expense, (d) Consumers' Accounting and Collecting Expense, (e) Utilization or Sales Promotion Expense, (f) Administrative and General Expense, (g) Depreciation, (h) Taxes, (i) Interest, and (j) Miscellaneous Deductions (Amortization or Debt Discount, Acquisition Adjustments, etc.).

Each of these functional items may be supported with a sub-budget by account classification. In establishing the main or

master budget, the manager should prepare sub-budgets for each department of his operations and the cooperative's office management should prepare detailed estimates to cover expected expenses under the following categories:

- (d) Consumers' Accounting and Collecting Expense
- (e) Utilization or Sales Promotion Expense
- (f) Administrative and General Expense
- (g) Depreciation
- (h) Taxes
- (i) Interest
- (j) Miscellaneous Deductions

All of these expenses pertaining to each of these items must be carefully considered when the budget is prepared and the total which will be set up under each category must not exceed the amount which has been found to be available for such expenditure during the coming year. For example, in considering the cost of Consumers' Accounting and Collecting Expense, it will be necessary to include salaries and expenses, additional help that may be required through addition of new members during the year, cost of reading meters with cooperative employees once or twice a year, supplies, etc. In considering the Power Use Program it will be necessary to consider actual costs, such as salary, mileage expense, supplies, postage, etc. It should not be offset with estimated increase in revenue, as this possible increase in power use will be taken into account in estimating annual receipts. Our interest in the matter is primarily to see that serious consideration has been given to these problems and that all available information has been used in arriving at the answer. If it appears that the estimates of accomplishment are seriously in error, then it will be necessary to discuss them point by point with the manager so that he will have complete understanding of the preparation and use of a budget.

SECTION III

THE GUIDE FOR SELF APPRAISAL OF A COOPERATIVE'S OVERALL MANAGEMENT AND ITS USE



SECTION III. THE GUIDE FOR SELF APPRAISAL OF A COOPERATIVE'S OVERALL MANAGEMENT AND ITS USE

A. When to Use the Appraisal Guide

Plans for the use of the Self Appraisal Guide (CO-144A) include its distribution to all managers and board members, and care must be observed in the manner used in discussing the Appraisal Guide with a manager or board member. Therefore, to avoid any misunderstanding, you will obtain from your Regional Head his approval on your approach and methods used in discussing the Appraisal Guide with Co-op personnel.

Your Regional Head will plan management appraisal assignments that are to be undertaken as determined by a particular cooperative's need for it through a careful analysis conducted in the Management Division. You are to proceed with such an appraisal only when specifically instructed by him to do so and then only to the extent of the assignment specified in his instructions.

Such assignments will be limited to two types:

1. In instances wherein careful analysis shows that serious problems exist, a complete appraisal of the cooperative will be made.
2. When certain phases of the cooperative's management only are in need of attention, appraisal will be limited to those phases.

If, after completing your special appraisal assignment at a cooperative, you have time available and are requested to do so by the manager, you may make appraisals of additional aspects of management that he may desire.

B. Introduction to Cooperative's Self Appraisal Guide

When you have made a management study of a cooperative as instructed by your Regional Head, you will also complete an appraisal guide form so that the results of your study may be visually apparent. The purpose of the guide is to provide an intelligently comprehensive report that will give your Regional Head a record of the cooperative's management which is complete in itself to the extent of your specific assignment.

Use of the appraisal guide is explained on the form. While the various items on which appraisals are to be made are listed in five separate groups, each item is to be considered independently. No provision is made for group or overall appraisal averages, but when your assignment is completed you will be able to identify points of strength and weakness in the cooperative's management.

Completing the appraisal guide will not be a simple matter. You will undoubtedly find in your first use of the guide, even after you have made your survey, that you are not prepared definitely to appraise some items and that you will require further study before a balanced appraisal can be established. The basic value of the guide is in its simple and direct use, but because of this apparent simplicity each rating you set down should be the result of your very thorough consideration. The appraisal will be of little value unless it is the result of honest and intensive thought.

C. Use of the Appraisal Guide

During future studies of a cooperative's management practices to which you may be assigned and in your analysis of the appraisal guide you will observe that while an item appears in one group only, there are closely related activities of the co-op which are covered by items in other groups that must be taken into consideration before an accurate appraisal can be made.

You will find that completing the appraisal honestly and intelligently calls for thinking, weighing of intangibles, evaluations covering several items which overlap one on the other, and determination of relative performance which may or may not have been compensated for to a degree in other groups. For example, the first item under Group I is "Relations with Members." When you determine your rating you must consider other factors, such as courtesy and member facilities, which fall into other groups and yet their execution and appraisal will affect relations with members. The way the line crew contacts and works with members will also affect your appraisal and, of course, line crews are covered under Group IV, Cooperative's Operating Management. Other points to be considered in your thinking on this one item would be:

1. Effectiveness of Monthly Newsletter.
2. Does cooperative sponsor member educational meetings? Effectively?

3. Have annual meetings been successful? What kind of program offered?

The above is an illustration of the obvious fact that all Groups are interrelated to a degree but that the functional activity goes definitely in one of the Groups and that an intelligent appraisal must be made on the functional basis.

The discussion applying to each item to be found on the appraisal guide which you will find in Section II and the Report Guide, Section IV, Part D, will help you in determining just what is meant by the title of each item and to point your thinking towards the activities of the item.

Form
CO-144A
(7-47)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

GUIDE FOR SELF APPRAISAL OF A COOPERATIVE'S OVERALL MANAGEMENT

A cooperative is successful when all necessary activities for a complete rural electrification program are performed in the best possible manner. The following list of items will assist you in locating activities in need of greater emphasis. Consider one item at a time. For each item determine what you believe is a complete program. Compare your present performance with your ideal standard and rate on a scale from 1 to 10. Ten is considered excellent and one is unsatisfactory. Enter in the column the rating that describes your program. For future improvement note on a separate sheet why an item is rated low. This will help you plan a better future management program.

GROUP I. COOPERATIVE RELATIONSHIPS

<u>Items</u>	<u>Your Rating</u>
1. Relations with Members	_____
2. Relations with the Community	_____
3. Relations with REA	_____
4. Relations with Commissions	_____
5. Relations with Material Suppliers	_____
6. Relations with Appliance Dealers	_____
7. Relations with Engineers, Contractors and Attorneys	_____

GROUP II. COOPERATIVE'S ORGANIZATION

<u>Items</u>	
1. Relations of Directors and Manager as to:	
a. Policy	_____
b. Plans and Programs	_____
c. Execution	_____
2. Organization of Operating Staff	_____
3. Organization of Office Staff	_____
4. Organization of Other Activities, such as	_____
a. Merchandising	_____

GROUP III. COOPERATIVE'S GENERAL MANAGEMENT

<u>Items</u>	
1. Analysis of Financial Condition and Discovery of Special Problems	_____
2. Adequacy of System in Relation to Existing and Potential Consumers	_____
3. Plans and Programs for Extensions and Area Coverage	_____
4. Adequacy of Budgeting General Activities	_____
5. Adequacy of Activities in Procuring Maximum Business for Existing System	_____
a. Getting New Members	_____
b. Increasing Use Per Member	_____

6. Adequacy of Retail Rates Schedules
 - a. As a Source of Revenue to Cover Expenses
 - b. As a Source of Capital
 - c. As a Promotional Influence
7. Funded Debts and Their Retirement
8. Current Debts and Their Retirement
9. Costs Limited as to Control by Improved Organization and Methods
 - a. Wholesale Rates
 - b. Rent: Actual and Constructive
 - c. Inventories - Prudence in Purchasing
 - d. Insurance
 - e. Taxes
 - f. Depreciation
10. Labor Relations - Wage Policy - Safety
11. Use and Application by the Manager of Accounting Records and Data
12. Adequacy of Supervision of Operating and Office Staff

GROUP IV. COOPERATIVE'S OPERATING MANAGEMENT

Items

1. Adequacy of Operating Staff - Skills - or Ability
2. Special Operating Budget
3. Dependability of Service - Outages - Voltage Regulation
4. Promptness in Restoration of Service
5. Promptness in Making New Service Connections
6. Condition of Properties - Maintenance - Replacements - Line Loss
7. Adequacy of Inventory of Materials
8. Storage and Arrangement of Inventory and Supplies
9. Adequacy of Maintenance Equipment and Apparatus, Trucks, Instruments, etc.
10. Adequacy and Execution of Planning, Layout and Routing of Job
11. Adequacy of Labor and Materials - Reports for Records

GROUP V. COOPERATIVE'S OFFICE MANAGEMENT

Items

1. Courtesy in Contacts with Members and the Public
2. Adequacy of Office Staff - Skills or Ability
3. Adequacy and Arrangement of Office and Office Equipment
4. Promptness and General Accuracy of Accounting Postings
5. Adequacy of Billings and Collections
6. Adequacy of Handling and Deposits of Cash
7. Promptness, Completeness and Accuracy of Work Orders
8. Promptness, Completeness and Accuracy of Monthly Reports
9. General Accuracy of Inventory Records
10. Arrangements for Display of Supplies and Appliances When Not Engaged in Merchandising
11. Budgeting General Office Salaries and Expenses

SECTION IV

WRITING THE FIELD REPORTS

SECTION IV. WRITING THE FIELD REPORTS

A. Introduction

In carrying out the functions and responsibilities of the Division you will receive specific and definite assignments as to the cooperatives you are to visit. These assignments, in general, will be to follow the tasks outlined in Section II of this manual; however, they may, in addition, include specific tasks to be performed as a result of an audit report or as a result of statistical trends which have been developed in the regional office. The time required to make a complete examination will be estimated on each assignment; however, the time required will be the time necessary to completely cover your assignment. If it will take more time than estimated, you will advise your Assistant Regional Head and the Regional Office, stating the reasons and how much additional time is needed.

B. Assignments

Introduction - The assignments which you will receive hereafter will be divided into two categories:

(1) Management surveys based upon the discussion carried on under Section II, Instructions to Field Representatives on Specific Parts of Management Advisory Services; Section III, Evaluation of Cooperative by the REA to Determine the Extent of their needs of REA Service, under special instructions only; and

(2) Special assignments on specific problems other than those under Section III. The assignments under (1) above will require a comprehensive management survey of the cooperative, which will consider and evaluate all factors making up the five management parts of the cooperative as discussed previously. It is estimated that it will take you an average of five days to complete such a study and this estimate is based on actual field studies which have already been made. In making your survey, the manual herein provided will, where possible, give you specific information as to where the information under the various parts may be located. Where possible, it also furnishes you with suggestions as to how to evaluate the information which you will obtain on the system. However, in carrying out any assignment it will be increasingly necessary not only to be familiar with everything that has been discussed in the manual, but to be thoroughly conversant with the memoranda and other information

issued by REA so that when you have assembled all of your data you will be in a position properly to evaluate the results and to discuss them intelligently with either the manager or the board of directors and also to make a comprehensive, and informative report to REA.

In visiting a cooperative for the purpose of carrying out a special assignment, as in (2) above, your work will, for the most part, be laid out for you in the assignment itself and, except in unusual cases, you will confine your work and your report to only those matters covered by the assignment. The time required for these visits will vary with the importance of the particular assignment, inasmuch as they will range from attending a board meeting to acting as supervisor in cases where the safety of the loan requires such action to be taken by REA.

1. Management Surveys - All field work will be under the direction of the Assistant Regional Head, who will spend approximately 75 percent of his time in the field. Assignments will be prepared in the Regional Office when special problems are found to exist and these assignments will include a summary of all known facts relative to the cooperative under study and will emphasize the problems on which the field representative should concentrate. The fact that emphasis is placed on any particular item does not limit your survey, but should serve to put you on notice that certain phases of the operation of this cooperative require more intensive study. The assignment sheets will be forwarded, as prepared, to the Assistant Regional Head in the field, who will make the actual assignment to the field representative, together with his comments on the work to be done, dates of execution, and further advice and assistance in carrying out the assigned duties, if he feels that such assistance is necessary or advisable.

2. Special Reports - From time to time there will be special reports prepared on cooperatives and these reports will be confined specifically by the assignment itself. For example, a cooperative board may request that a representative of the Management Division attend a board meeting for the purpose of assisting the board in

- (a) Evaluating the qualifications of applicants when a new manager is being chosen.
- (b) Discussing the application of the capital credits plan.
- (c) Discussing general business management and operating problems.

We are also called upon to make special assignments to cooperatives for the purpose of organizing crews in the event of storm damage, to discuss the practicability of a proposed building site, or to assist the cooperative in various specific and similar ways. On these assignments the work would normally be confined exclusively to the scope of the assignment and your report would cover only those matters on which you were called on for consultation.

In reporting on a special assignment it should, however, be noted that any important development or change or problem, which you may observe while on the cooperative, should be referred to in your report, inasmuch as while the purpose of the assignment is specific and your report would also be limited in scope, it is nevertheless your responsibility to observe and report any unusual circumstances which you at any time observe.

C. Writing the Report

In the actual writing of your report the basic point to remember is that some of the people who read the report will be unacquainted with the cooperative being reported, but they should nevertheless get the complete picture from the points discussed in your report. It is not expected that you will be able to cover all phases of a cooperative's management on each visit, but your report should cover the important points, as observed by you, on each visit.

When a complete management survey has been made of a cooperative it will not, usually, be necessary or desirable to make another such complete survey for another year. Your succeeding visits will, however, be follow-ups on the original complete survey and should show whether or not the cooperative is overcoming its difficulties and if not, why not. Each assignment will give you a resume of previously found low points in the cooperative to aid in your reevaluation.

In this manual you are furnished with various information which is for the single purpose of coordinating your thinking and your work with that of the Division as a whole. The requirements may, at first glance, indicate that your work is being standardized but such an idea is erroneous. The preparation of your assignment and the layout of your report are being standardized but only for the sake of uniformity and greater usefulness. Your thinking, however, is not being stereotyped but rather coordinated with ours and for the improvement of all of us in doing our job, which is to protect the loan fund by assisting the borrowers.

The information appearing under the various parts in Section II of this manual are as complete as they can be made and are there to assist you in evaluating the result of a management study. In Section III we have given you a "Guide For Self Appraisal of a Cooperative's Overall Management" to further focus your thinking as to the relative effectiveness of the cooperative on which you are working. Section III is to be used only on special assignment by the Regional Head. The items listed under each group are the same as those appearing in Section II and your appraisal on the guide will be on the basis of your evaluation of the cooperative's strength or weakness in carrying out the activity. If you are in doubt as to the element making up any item you may refer to the discussion of that item under Section II for full information.

You will be helped in writing your report by following in order the following steps:

- (1) On your arrival on the cooperative discuss generally with the manager the purpose of your visit and secure his cooperation and permission to look into all activities of the cooperative. At this time the manager should do most of the talking and you should secure, generally, an impression as to the strength and weaknesses of the cooperative. The conference should be brief.
- (2) Make your study of the cooperative management and operation covering the items under the five groups. To aid you the manual provides the discussions of each group under Section II and Part D of this section will provide you with pertinent questions applying to each item under the five groups. These questions are not to be considered as exhaustive and merely answering them in your report will not suffice. They are reminders only and are to be used as such.
- (3) When your study has been completed and you have determined the salient facts of the organization's condition you are ready to make your report, or to complete the Self Appraisal Guide if this is a part of your assignment. When this is the case, a discussion on the guide is given under Section III of the manual and you are referred to it for specific information which may be required at this point.

As your report will be written on Form ADM-36, "Traveler's Report" you will fill out the blank on the form and on the reporting space show:

- (a) Name and address of cooperative under study.

(b) "To Make Management Study," "Attend Annual Meeting" or whatever your assignment shows.

(c) Your report follows from here.

The layout of your report should be uniform, but your discussion will cover the subject in your own words and as you think it ought to be covered. So that the report will cover all of the parts uniformly and so that it will be easily referred to, your report should follow down through the parts and the factors appearing under them. To keep your report from being time consuming to write, and to review, it is suggested that it discuss only these factors in which you show an actual weakness, or a tendency towards a weakness, except that you should, in each case, discuss for the general good any policy, planning program, or other evidence of outstanding accomplishment of the cooperative. To repeat, your report will furnish a write-up factor by factor, under each Part in which there is:

- (a) Outstanding accomplishment through which REA or other cooperatives could benefit.
- (b) An indication of a retrogressive trend.
- (c) A definite weakness.

Your discussion under each factor will, of course, be factual and direct and will break down the problem and your corrective action, as well as your recommendations.

The conclusion of your report would be improved by a summary in which you may, on the basis of your report, state your opinion as to the operating trend of the cooperative. You could also state what assistance is needed by the cooperative, such as auditing, engineering, advances, or additional allocations.

D. Guide to Information for Report

Group I. Cooperative Relationships

1. Relations with Members

- (a) Is the prospective member greeted with a friendly attitude, and is he given information about the cooperative?
- (b) Is tact and salesmanship applied in obtaining easements for right-of-way and tree trimming?

- (c) Is courteous reception given members on visit to office?
- (d) Is line crew diplomatic in contacts with members?
- (e) If system has newsletter, does membership appreciate it?
- (f) Are cooperative's educational meetings sponsored by system?
- (g) Are annual membership meetings successful?

2. Relations with Community

- (a) Is manager on friendly terms with civic organizations?
- (b) Does manager show interest in community activities?
- (c) Are members of the board of directors active in civic and community activities? If so, do they foster the cooperative before the group?

3. Relations with the REA

- (a) Does manager and board have good knowledge of REA Act, loan contract, mortgages, etc.?
- (b) Is manager prompt in answering correspondence and in submitting periodic reports?
- (c) What is the attitude of the manager and board toward REA, toward REA personnel and the program?

4. Relations with Commissions

- (a) Does manager and board members make effort to become on friendly terms with regulatory commissions?
- (b) Does the cooperative keep up-to-date on changes made by the commission in procedure, etc.?

5. Relations with Material Suppliers

- (a) Are relations with all supply representatives on friendly basis?
- (b) Does manager have general knowledge of supplier's quality, price, and availability of materials?

6. Appliance Suppliers and Wiring Contractors

- (a) What is manager's relationship with supply representatives?
- (b) Does system area have adequate dealer outlets?
- (c) Is good quality merchandise sold in areas?
- (d) Is house wiring inspected prior to service connection?
- (e) Do dealers have adequate facilities for servicing appliances?
- (f) Does system finance appliances, wiring and plumbing with REA section 5 loans, if so, are collections good?
- (g) Is cooperative merchandising, if so, what percent is added to purchase price on resale to members? If so, what is attitude of local dealers toward cooperative?
- (h) Does the cooperative offer service facilities for appliances sold?

7. Relations with Engineers, Contractors and Attorneys

- (a) Is the manager cooperating with the Engineer in obtaining right-of-way clearances before staking of lines and to settle promptly conflicts that arise during staking activities?
- (b) Does manager settle promptly conflicts that may arise among members regarding location of meters on buildings or the placement of meter poles?
- (c) Does the manager cooperate with the contractor in taking care of members' complaints regarding tree trimming and timber removal and are line changes kept to a minimum?
- (d) Does the manager execute promptly his part concerning clearances on telephone moving agreements, railroad crossing permits, highway right-of-way permits and related documents necessary for construction of the system?
- (e) Does the manager have a general understanding of the services that normally may be expected from the attorney employed during the construction of a project or employed on a retainer basis?

- (f) Does the manager make proper arrangements so that payments due these persons are made promptly?

Group II. Cooperative's Organization

1. Relations with Directors and Managers as to:

(a) Policy

- (1) Are policies according to adopted standards and in compliance with the system's bylaws?
- (2) Are policies and procedures sponsored by a minority group?
- (3) Are the minutes indexed so that it is easy to check on policy changes?

(b) Plans and Program

- (1) What plans does the system have for construction, power use and educational activities?
- (2) Is manager acting within scope of his authority?

(c) Execution

- (1) Does the manager follow-up on the assignment to determine that the job is being done?
- (2) Do the board members look to the manager for execution of the plans and program or do they assume some of the responsibilities of the manager?
- (3) Are monthly reports made to the board? Are they accurate and informative?

2. Organization of Operating Staff

- (a) Has a job description been written for each job?
- (b) Are jobs (with job descriptions) assigned to certain personnel so that the employee is aware of his responsibilities?
- (c) Does the manager hold the key personnel responsible for the work performance of the employee under his supervision?
- (d) Are the supervisors required to make daily, weekly, or monthly reports on progress or performance?

3. Organization of Office Staff

- (a) Has a job description been written for each job?
- (b) Are jobs (with job descriptions) assigned to certain personnel so that the employee is aware of his responsibilities?

- (c) Does the manager hold the key personnel responsible for the work performance of the employee under his supervision?
- (d) Are the supervisors required to make daily, weekly, or monthly reports on progress or performance?

4. Organization of Other Activities

- (a) Has a job description been written for each job?
- (b) Are jobs (with job descriptions) assigned to certain personnel so that the employee is aware of his responsibilities?
- (c) Does the manager hold the key personnel responsible for the work performance of the employee under his supervision?
- (d) Are the supervisors required to make daily, weekly, or monthly reports on progress or performance?

Group III. Cooperative's General Management

1. Ability to Analyze Financial Condition and Discover Special Problems

- (a) Does the manager analyze the financial condition of the cooperative and is he aware of what problems exist?

2. Adequacy of System in Relation to Existing and Potential Consumers

- (a) Is the system presently rendering adequate service?
- (b) Are plans made to insure adequate service in the future?

3. Plans and Programs for Area Coverage

- (a) Does the cooperative have an area coverage program under way?

4. Adequacy of General Budgeting Activities

- (a) Does the manager use the budget as a means of expressing his work program?

5. Adequacy of Activities in Procuring Maximum Business for Existing System

- (a) Is "new member" activity appropriate to the need, in terms of other parts of the cooperative program?
- (b) Is "Power Use" program being used?

6. Adequacy of Retail Rate Schedules

- (a) Are rates being correctly applied?
- (b) Do you suggest consideration of rate changes?

7. Funded Debts and Their Retirement

- (a) Are the manager and board familiar with repayment provisions?
- (b) Is there danger of default?

8. Current Debts and Their Retirement

- (a) Are discounts on purchases being taken?
- (b) Are accounts payable excessive?

9. Costs Limited as to Control by Improved Organization and Methods

- (a) Does the manager check wholesale rate bills?
- (b) Should different arrangements be made for office, warehouse, etc.?
- (c) Is inventory carried at proper level? Balanced?
- (d) Has proper effort been made to reduce insurance costs?
- (e) Is depreciation understood and are charges made properly?

10. Labor Relations - Wage Policy - Safety

- (a) Does manager understand his supervisory and training obligations?
- (b) Are wage levels reviewed periodically?

- (c) Is there any labor disagreement?
- (d) Is an active safety program being used?

11. Use and Application by Manager of Accounting Records and Data

- (a) Does manager use accounting records as a management tool?
- (b) What will make these records of greater value to him?

12. Supervision of Engineering, Operating and Office Staffs

- (a) Does manager give active supervision to the line foreman?
- (b) Does manager give active supervision to the office manager?
- (c) Does manager give active supervision to other direct subordinates?

Group IV. Cooperative's Operating Management

1. Adequacy of Operating Staff - Skills or Ability

- (a) Are there a sufficient number of linemen and other operating personnel to turn out the necessary work?
 - (1) Have these people any past experience, and have they the ability to do a good job?

2. Special Operating Budget

- (a) Does the manager consult with the line foreman in making up the operating budget?
 - (1) Does he really know what it is all about?

3. Dependability of Service

- (a) Ask the manager:
 - (1) Do you have many service complaints?
 - (2) Do you have many outages?
 - (a) Let's look over your outage record.
 - (b) What have you done to correct these outages?
 - (3) Do you keep a reasonable check on your voltage regulation?

4. Promptness in Restoration of Service

- (a) How long does it take to restore service on the outages mentioned above?

5. Promptness in Making New Service Connections

- (a) About how long is it after a new consumer has made application before he gets connected?
 - (1) Is there something we can do to speed up these new service connections?

6. Condition of Properties

- (a) Is the cooperative keeping up the maintenance pretty well?
 - (1) When was the last time they made a routine inspection of the condition of the lines?
 - (2) What seems to be giving the most trouble in regard to maintenance? Is it leaning poles, too much slack in conductors, or just what do you find giving them the most maintenance trouble?
 - (3) Are they having to replace many poles? Do you find them rotted off at the ground, or is the replacement necessary from woodpecker holes, checks or similar causes?
 - (4) How about transformers? Are there many burn-outs? Have they tested for grounding? Do they find that they are being overloaded without their knowledge? What is being done about it?
 - (5) Do you think that the line loss is excessive? How about radio interference? This may indicate a reason for line loss. Have they checked on loose hardware recently? How about tree trimming?

7. Adequacy of Inventory of Materials

- (a) Is there sufficient material and line equipment to take care of general needs?
 - (1) Are they carrying too much inventory?
 - (2) Is the inventory balanced?

8. Inventories

- (a) Let's take a look at the storage space.
 - (1) Do you think there might be a more orderly arrangement?

- (2) Do you feel that they could improve on the identification of this material so as to facilitate inventories and the men taking materials out of stock?

9. Adequacy of Maintenance Equipment and Apparatus - Trucks, Instruments, etc.

- (a) Let's take a look at the transportation equipment.

- (1) Do you think that this is the best equipment for the needs in this particular territory?
- (2) How much is it costing to operate this equipment on a per mile or a per unit basis?

10. Adequacy and Execution of Planning, Lay-Out and Routing of Job

- (a) Do you believe that a little more planning would improve operating efficiency:

- (1) Do they lay out and route jobs regularly?
- (2) Let's look over the methods used in this regard.

11. Adequacy of Labor and Materials - Reports for Records

- (a) Let's take a look at the records on labor and materials reports for these records.

- (1) Do you think that the forms used are adequate?
- (2) Can they be improved upon?
- (3) What particular trouble are they having in obtaining the reports for these records?

Group V. Cooperative's Office Management

1. Courtesy in Contacts with Members and the Public

- (a) Has the manager established days or hours in which he will be in his office?
- (b) Do members receive prompt attention on entering the office?
- (c) Does the attitude of the personnel indicate friendliness to the members? The public?

2. Adequacy of Office Staff - Skills or Ability

- (a) Are personnel cooperative, friendly and helpful?
- (b) Is work properly allocated, routed, and handled?
- (c) Do you find indications of serious on-the-job training?
- (d) Are new employees oriented in cooperative principles?

3. Adequacy and Arrangement of Office and Office Equipment

- (a) Does the cooperative own or rent office space?
 - (1) Is it adequate?
 - (2) If owned, does it need repairs?
 - (3) If rented, cost per month? Leased? Period?
- (b) Is office space well arranged with files and other work equipment convenient to employees?
- (c) Does the office have sufficient office equipment which fits their need? Is equipment excessive? Poorly chosen? Does cooperative send in General Plant Orders before purchasing equipment?
- (d) What, if any equipment, is needed?
- (e) Does the cooperative have:
 - (1) Rest rooms for use of members and the public?
 - (2) Chairs, and writing facilities in lobby?
- (f) Are they well placed and accessible?

4. Promptness and General Accuracy of Accounting Postings

- (a) Are all subsidiary accounts such as bank, material accounts receivable, etc., reconciled with the General Ledger monthly? Does the manager know it?
- (b) Do the reports from the line foreman, the material clerk, the work order clerk, etc., reach the bookkeeper at the proper time and in usable form?
- (c) Are all postings to subsidiary ledgers proved daily?
- (d) Date of last audit? Do they need an audit now?

- (e) Are work orders, after approved to REA, cleared to plant accounts?

5. Adequacy of Billing and Collections

- (a) What system is used to bill, collect and record sales? Is it working?
- (b) If self-billing is used, are meter reading dates, penalty dates and cut-off dates in line with Operations Memorandum 5-1?
- (c) If self-billing, does cooperative set up estimated bills for members who fail to report? Is income from sale of energy shown in correct month?
- (d) If self-reading or self-billing, when were meters last manually read by cooperative?
- (e) Are number of meters installed checked against number of members billed?

6. Adequacy of Handling and Deposits of Cash

- (a) Is all cash deposited daily? Is it checked by the bookkeeper or other employee?
- (b) Does one employee have responsibility for petty cash disbursements? Is petty cash reconciled by bookkeeper and are disbursements supported with receipts or petty cash vouchers?

7. Promptness, Completeness and Accuracy of Work Orders

- (a) Are revised work order procedure and new forms in use?
- (b) Are taxes, insurance, supervision and other overhead prorated to construction costs?
- (c) Are transportation costs on construction properly set up? Is depreciation on equipment used only for construction charged to construction costs?
- (d) Are work orders prepared monthly? How far in arrears?
- (e) Are Estimate Work Orders prepared as required by work order procedure now in effect?

8. Promptness, Completeness and Accuracy of Monthly Reports

- (a) Are operating reports prepared promptly and forwarded to REA?

- (b) If self-billing is used with a penalty date carrying into the following month, are the reports delayed or are bills estimated? Or do they use the previous month's billing in their reports?
- (c) Do the operating reports accurately reflect changes in:
 - (1) Miles energized?
 - (2) Members connected?
 - (3) Material inventory?
 - (4) KW demand on all substations?
 - (5) Interest payments?

9. General Accuracy of Inventory Records

- (a) Does the cooperative use the material tickets for material charged in and out of the warehouse recommended in the revised work order procedure?
- (b) Are perpetual inventory records properly maintained and reconciled monthly with general ledger control account 131.1, Materials and Supplies - Electric?
- (c) If materials are charged out from a summary of work orders, the inventory records will not agree with the control and the physical inventory will be out of agreement with the control or asset account.
- (d) When were the inventory records proved by taking a physical inventory?

10. Arrangements for Display of Resale Supplies and Appliances When Not Engaged in Merchandising

- (a) Is the merchandise shown seasonal and is full information as to use, cost, terms and seller given?
- (b) Does the cooperative encourage all dealers to show their merchandise in building? Do they have agreement as to liability for loss or damage in case of fire?
- (c) Does the cooperative have a display of approved wiring materials?

11. Budgeting General Office Salaries and Expenses

- (a) Did the budget estimate include all employees?
- (b) Was consideration given to increased work load which will result from energization of additional mileage?

- (c) Was provision made for expected salary increased of employees?
- (d) Was consideration given to over-time?
- (e) If cooperative has sub-collection stations, were expenses included?

